ALBERTA ACCOMMODATION INDUSTRY STUDY

VOLUME II

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May 1978

VOLUME II

INDUSTRY ANALYSIS

"During the greater part of [inn] keeping history, emphasis has been on the hosting or showmanship qualities of managerial talents. Although the industry has been necessarily operated on a general business basis, there has not been the need for the application of new techniques that were developing rapidly in other businesses. Many operators felt that the [accommodation] business was unique and that management methods that were successfully utilized in other industries were not applicable to [accommodation] operations. Thus, while business organizations were undergoing revolutionary changes and developments, the [accommodation] industry continued to operate in much the same manner it had since the turn of the century. The industry, without realizing the situation, was falling more and more behind most business organizations in its management methods and approaches. Slowly the lag began to take its toll and was revealed in the approach to the myriad problems that suddenly confronted the [accommodation] operator. Operating costs sky-rocketed, occupancy figures nosedived, employees became harder to attract and even more difficult to retain as turnover figures became unbelievably high. The unions entered the field with new vigor and new success, and profits shrank or disappeared. Management needed solutions to these problems. Being a good host just wasn't the approach to provide them."

- G.W. Lattin
  Modern Hotel and Motel Management (1968)

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ALBERTA ACCOMMODATION INDUSTRY STUDY

VOLUME II: INDUSTRY ANALYSIS

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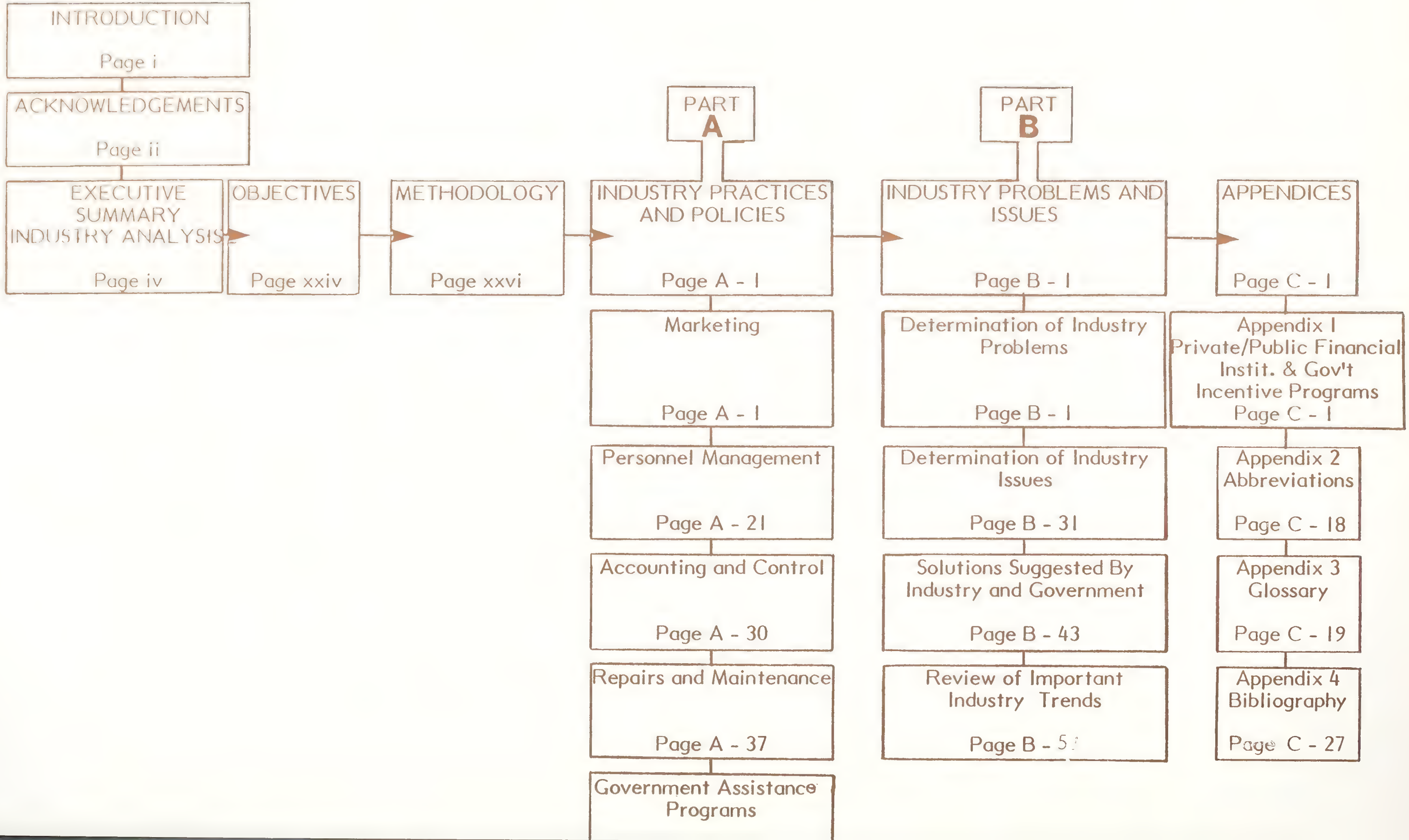

INTRODUCTION

This is the second of two volumes that comprise the Alberta Accommodation Industry Study. As previously noted in the Introduction section of Volume I, the study has been prepared in two main volumes as identified below:

VOLUME I : INDUSTRY DEFINITION

VOLUME II : INDUSTRY ANALYSIS

As can be seen in the preceding Index Flowchart, this volume contains appended materials which includes a report on private/public financial institutions and government incentive programs related to the accommodation industry, an explanation of the abbreviations used, a glossary of terms and a bibliography.

Our findings and conclusions on Volume II: Industry Analysis are presented on the following pages.

ACKNOWLEDGEMENTS

In the undertaking of this study, we have relied upon the invaluable assistance given us by a large number of people and organizations to whom we express our sincerest thanks. In particular, we would like to extend our appreciation to all those individuals in the Department of Business Development and Tourism - Travel Alberta for the fine assistance and co-operation that they provided during the course of this assignment. Additionally, we would like to acknowledge that the preparation of this study would not have been possible without the willingness and excellent co-operation of all the selected accommodation operators/owners interviewed in the Province of Alberta.

We also appreciate the valuable input and advice of the study's steering committee which met intermittently throughout the initial stages of the assignment. This committee was composed of the following individuals:

Mr. E. G. Shaske, Executive Director, Research and Analysis Branch, Department of Business Development and Tourism

Mr. F. M. B. McMullan, Economist, Research and Analysis Branch, Department of Business Development and Tourism

Dr. W. C. Chang, Senior Economist, Research and Analysis Branch, Department of Business Development and Tourism

Messrs. P. Bidlock and E. Mazeppa, respresenting the Alberta Hotel Association

Messrs. G. Marshall, R. Caine, E. Cohen and B. Mitchell, representing the Motel Association of Alberta.

In similar fashion, our gratitude is extended to Mr. George T. Barr, Executive Vice-President, Alberta Hotel Association and Mr. Allan V. Goyer, Supervisor, Accommodation Inspections, Visitor Services Branch, Department of Business Development and Tourism for their knowledge and helpful insight into the province's accommodation industry.

As a final note, we feel that this study with its expressed industry viewpoints has contributed to a better understanding of the structural and operational developments of the accommodation industry in the Province of Alberta.

PANNELL KERR FORSTER & ASSOCIATES

May 1978

EXECUTIVE SUMMARY - INDUSTRY ANALYSIS

This is the second of two volumes that comprise the Alberta Accommodation Industry Study, commissioned by Travel Alberta, Department of Business Development and Tourism in March 1977. The study was aimed at determining the structure, performance and potential development opportunities of Alberta's accommodation industry, as well as examining the prevailing management practices and policies and predominant industry problems, issues and trends. Volume II: Industry Analysis presents an examination of these latter two areas.

OBJECTIVES (Pages xxiv to xxv)

The objectives of Volume II: Industry Analysis were two-fold: (1) to determine and evaluate current industry practices and policies and their effect on the future performance of the accommodation industry, and (2) to determine and evaluate significant industry-wide problems, issues and trends that the accommodation industry faces in achieving its development potential.

METHODOLOGY (Pages xxvi to xxix)

Information on these preceding topics was gathered from personal interviews of 230 randomly selected operators of hotels, motor hotels, motels, lodges and cabin/bungalow establishments. The statistical method employed was that of stratified random sampling, that is, the operators were selected

according to categories of accommodation, numbers of rooms available and locations in the province by TIAALTA Zone. Interviews were also carried out with operators, and when applicable, with association representatives of other types of fixed accommodation in Alberta which included guest/tourist homes, youth hostels, YMCA/YWCAs, vacation farms/dude ranches and hunting/fishing and trail riding outfitters. Finally, important problems, issues and trends were also discussed with accommodation and tourist industry association executives, key government officials and with representatives of major private and public financial institutions.

A schematic presentation of the methodology of this volume is shown in the body of this report.

EVALUATION OF INDUSTRY PRACTICES AND POLICIES

The 230 operators interviewed were asked to describe their practices and policies in the following areas: marketing, personnel management, accounting and control, repairs and maintenance and use of government assistance programs.

From the responses received, it was concluded that, in general, there existed a direct relationship between the size of establishments and the degree of sophistication in the practices and policies utilized. A somewhat less significant variation was also found among the five main categories of accommodation, with hotels and motor hotels using the most advanced techniques and motels, the least. As a rule it appeared that there was greater scope for improvement in the management techniques of operators with 50 units or less than there was for larger operators.

However, in fairness to the smaller accommodation operator many of the advanced management techniques such as marketing plans and detailed pricing methods are simply not really necessary. Their operations do not require the same techniques as do the larger, more complex businesses.

In our opinion, this observation of accommodations in Alberta is quite typical of the lodging industry throughout Canada. Larger sized and more diversified accommodation properties tend to have the sufficient funds and internal expertise available to provide them with a more thorough understanding and usage of business practices and policies that will aid in the long run health of their enterprises.

The findings and conclusions on the five areas of policies and practices that were specifically evaluated are as follows.

Firstly, it was concluded that there was a definite need for improvement in the marketing expertise of operators (Pages A - 1 to A - 20) due to the following factors:

- lack of understanding of the marketing concept;
- low usage of marketing plans, either written or verbal (18% of sample);
- utilization of the most unsophisticated pricing methods (80%);
- insufficient use of the travel trade (26%);
- minimal usage of special promotions, especially vacation packages (7%); and
- apparent low utilization of cooperative advertising programs (25%).

It was felt that these low utilization rates of various marketing tools were well below acceptable industry levels and that further education and information dissemination were required to assist operators not only in understanding the basic marketing concept and its future ramifications, but also in identifying opportunities that would improve their business potential. Despite the healthy outlook of the provincial economy, it is mandatory that more attention be devoted to this area in case of a business downturn where an integrated marketing approach would ease any unfortunate burdens.

Secondly, it was found that there was a great need for strengthening of <u>personnel management practices</u> (Pages A - 21 to A - 30) due to the following factors:

- low incidence of in-house, on-the-job training programs (48% of sample);
- little utilization of existing outside training programs (20%); and
- low usage of job analysis, especially job descriptions (27%).

Considering that manpower was identified as the single and most important problem affecting the accommodation industry, it is our opinion that not only are these practices far from the optimum but they are contributing to the high level of staff turnover in the province's lodging industry. Recognizing that most operators view the implementation of these practices as advantageous, it is compulsory that more frequent and better quality training courses and personnel functions be organized in order to improve the status of hospitality employees and to provide them with career development paths.

Thirdly, it was concluded that there was considerable need for improvement in the accounting and control function (Pages A - 30 to A - 37) due to the following factors:

- low utilization of standardized accounting systems (21% of sample);
- non-existence or low usage of internal control systems (40% of sample with no system, 45% partial and remaining 15% with complete system); and
- low usage of manager's daily report (52%) and labour analysis (21%).

At present, an overriding requirement is to provide accommodation operators with more information on the benefits that would accrue from timely and detailed analyses of financial statements, even those of a rudimentary nature. The low usage of uniform and advanced accounting and financial management techniques and systems in Alberta, and Canada as a whole, is understandable since operators, particularly of small size establishments, have perceived few dominant reasons to adopt them. Various government initiatives have been developed in this area but to no avail. If further developments do occur, they should be of an educational nature and start at a basic level by informing operators of the value of financial and operational control mechanisms.

Fourthly, it was considered that more refinements were required in the repairs and maintenance area (Pages A - 37 to A - 44) due to the following factors:

- low usage of preventive maintenance programs (43% of sample);

- insufficient use of labour reports for repairs and maintenance jobs (9%); and

- utilization of the most unsophisticated method (i.e. replace when needed) in replacement of furniture, fixtures and equipment (56%).

It is our opinion that a preventive approach would further aid operators in minimizing their repair and maintenance costs and, overall, ensure a more effective maintenance of the province's lodging plant. Our review showed existing accommodation operations spending a reasonable sum on the physical upkeep of their properties as a percentage of gross revenue, but deploying a less than normal schedule for the replacement of fixed assets. We feel that additional upgrading and renovation of accommodations located primarily in the rural areas are required and that the employment of modern techniques in physical plant engineering and maintenance is warranted to uphold standards and encourage repeat patronage.

Fifthly, it was concluded that accommodation operators were not taking full advantage of available government financial and technical assistance programs to the industry. Lack of awareness due to low publicity, unreasonable delays in approval and stringent controls were the prime reasons given for this low usage of programs. (Pages A - 44 to A - 45)

EVALUATION OF INDUSTRY PROBLEMS, ISSUES AND TRENDS

Four different groups (i.e. accommodation operators, accommodation and tourist industry association executives, government officials, and operators and/or association representatives of other types of fixed accommodation) were asked to determine and rank for priority action the main problems that they perceived as affecting the accommodation industry in Alberta. In addition, the same parties provided their recommended solutions to these problems as well as expressing their views on the current trends in the industry. The first three parties also related their opinions on the following four issues identified by the consultants at the commencement of this study: labour relations/unions, establishment of an accommodation standards or rating system, various aspects of legislative/regulatory practices impinging on the industry, and the effect of accommodation size on efficiency and profitability. Also a fifth party (i.e. financial institution representatives) was consulted regarding problems they had experienced in providing financing to the Alberta accommodation industry.

Industry Problems and Recommended Solutions
(Pages B - 1 to B - 31 and Pages B - 43 to B - 54)

The chart on the following page identifies and ranks the accommodation industry's major problems as seen by the four parties mentioned above.

IDENTIFICATION OF MAJOR ACCOMMODATION PROBLEMS
ACCORDING TO FOUR RESPONDENT PARTIES
(RANKING OF PRIORITY)

	1			2		3
PROBLEM / RESPONDENTS	ACCOMMODATION OPERATORS*	A HA	MAA	TIAALTA	TIAALTA ZONE MANAGERS	GOVERNMENT OFFICIALS
Manpower	1	1	1	3	1	1
Increasing Costs of Operations	2	2	3	1	2	2
Government Regulation	3	3	2	4	6	6
Seasonality	4	5	6	6	5	5
Pricing	5	6	5	2	3	3
Financing	7	4	4	5	4	4
Other	6	-	-	-	-	-

* Other problems included high rate of property turnovers, unrealistic purchase prices of establishments, high price of land, lack of tourism promotion and inadequate highway signing of overnight accommodation in some localities, etc.

IDENTIFICATION OF MAJOR ACCOMMODATION PROBLEMS
ACCORDING TO FOUR RESPONDENT PARTIES (continued)
(RANKING OF PRIORITY)

4

PROBLEM / RESPONDENTS	GUEST/TOURIST HOMES**	YOUTH HOSTELS	YMCA/ YWCAs	VACATION FARMS/ DUDE RANCHES***	HUNTING/FISHING & TRAIL RIDER OUTFITTERS****
Manpower	-	-	-	4	-
Increasing Costs of Operations	1	-	1	2	-
Government Regulation	-	-	-	-	-
Seasonality	-	-	-	-	-
Pricing	-	-	-	-	-
Financing	-	1	2	3	-
Other	2	-	-	1	1

** Other problems included primarily marketing.

*** Other problems included association organization, facility standards and marketing.

**** Other problems included association organization, facility standards, marketing, lease permit renewals, business practices and outfitter/hiker conflicts.

Manpower was ranked as the most significant problem affecting the accommodation industry in Alberta as viewed by all respondents except for the Executive of TIAALTA and operators/association representatives of the other types of fixed accommodation. The consensus of opinion was that there existed a shortage in terms of the quality rather than the quantity of staff available. The factors that respondents felt were contributing to the problem included the following:

- the ready availability and attractiveness of unemployment (U.I.C.) and welfare benefits;
- the poor attitudes of staff, particularly younger employees towards work and service;
- the lack of career opportunities in the industry;
- the low wages relative to other industries;
- the often poor working conditions and requirement of some employees to do shift work;
- the menial tasks involved;
- the lack of interest in staff training among operators;
- the transient nature of many employees;
- the competition with resource industries and government for employees; and
- the poor image and lack of attractiveness of the industry.

All of these factors contributed to a high level of staff turnover among semi-skilled and unskilled workers, the poor attitudes of management towards the value of staff training and the resulting poor employee/management attitudes to the service of patrons.

The recommended solutions to this problem as perceived by the responding parties to each respective party's role were as follows:

Individual Accommodation Operator:

- improve management's attitudes towards the value of staff training and towards the service of guests;
- increase the use of in-house and outside training programs;
- generally improve staff attitudes through various forms of incentives and better communication links; and
- increase employee wage scales in order to be competitive with other industries.

Accommodation Associations:

- encourage the establishment of a hotel school in the province;
- stage more managerially-oriented courses including those to increase efficiency;
- participate more fully in the Provincial Advisory Committee for the Tourism Hospitality Industry (PAC);
- produce training manuals, films and possibly a mobile training trailer;
- urge government for stricter controls on the use of U.I.C. and welfare benefits;
- assist operators in changing staff attitudes; and
- prove to government that there is a definite need for their further assistance in hospitality manpower training.

Government:

- . encourage the development of managerial and skills training programs;
- . assist operators and associations in changing staff attitudes;
- . create an awareness of the industry among new high school graduates;
- . restrict the use of and apply more stringent controls on U.I.C. and welfare benefits;
- . produce job descriptions for positions within the industry; and
- . assist the associations in developing training manuals/films either through coordination and/or funding.

The overall second-ranking problem affecting the accommodation industry was <u>increasing costs of operation</u> as viewed by all respondents except for the Executive of the MAA which placed it third and guest/tourist homes and YMCA/YWCAs which ranked it first in priority.

Certain cost items were isolated by the respondents as having increased much faster than others in recent years. These included the following:

- . heat, light and power expenses (utilities);
- . property and business taxes;
- . wages and salaries;
- . guest room supplies;
- . laundry costs; and
- . costs of using outside tradesmen for repairs and maintenance jobs.

The recommended solutions to this problem as perceived by the responding parties to each respective party's role were as follows:

Individual Accommodation Operator:

- implement or make more adequate use of internal control systems to decrease or maintain current costs; and
- generally improve overall operating practices, e.g. in the areas of overstaffing, poor energy conservation controls, etc.

Accommodation Associations:

- implement product "bulk buying" schemes to reduce costs for members and;
- stage more managerially-oriented courses on how to decrease costs and create efficiencies in operations.

Government:

- introduce a "tip differential" wage; and
- scrutinize proposed utility increases more carefully.

Government regulation was ranked as the third overall problem affecting the accommodation industry. A variety of sub-problems were mentioned by all respondents with respect to regulations laid down by the federal, provincial and municipal governments. The vast majority of these concerned the Alberta Liquor Control Board's (ALCB) regulations, various government agencies requesting statistical data (primarily Statistics Canada and the Alberta Bureau of Statistics), the Alberta Department of Labour's regulations on employee termination requirements and statutory holiday pay scales, and Parks Canada's regulations and policies.

The recommended solutions to various aspects of these sub-problems as perceived by the responding parties to each respective party's role were as follows:

Individual Accommodation Operator:

- convince the provincial government to make the ALCB more responsive to the hotel industry;
- avoid the over-service of patrons in order to reduce drunkenness and fighting;
- maintain high standards of cleanliness in licensed premises; and
- accept a liquor license as a privilege, not a right.

Accommodation Associations *:

- advocate a change in the Liquor Control Act which would introduce stiffer fines for under age drinkers;
- press the ALCB for a complete de-regulation of beer prices;
- maintain communication between the AHA and the ALCB; and
- advocate changes in Alberta Labour's regulations as to employee termination requirements and statutory holiday pay scales.

Government:

- educate ALCB inspectors of various aspects/problems of hotel operations via training programs/seminars;
- stress that ALCB inspectors relate license infractions to the operator more quickly;
- implement a dual pricing system for beverage facilities;
- introduce a completely free marketing system for beverage prices;
- provide for hotel industry representation on the ALCB;
- introduce an appeal board for ALCB decisions;

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* Since this survey was completed, the provincial government has taken action on these quoted items with the result that the AHA's concerns are now resolved.

- remove inequities in Alberta Labour's current employment termination/holiday pay standards so employer is not discriminated against;
- introduce one type/length of lease for accommodations in the National Parks;
- build suitable housing facilities for accommodation staff in the National Parks; and
- ensure that all accommodation statistical requests from government emanate from only a few sources and that questionnaires do not overlap in type of information required.

Problems ranked fourth to seventh were pricing, seasonality, financing and others of minor importance or related to particular types of accommodation.

The higher pricing of tourism/accommodation services has become more prevalent in recent years. The factors that respondents suggested were contributing to this problem included the following:

- the increased operating costs, especially utilities and wages;
- the higher cost of living in Alberta as compared to other Prairie provinces; and
- the poor cost control practices of operators.

The symptoms of these factors have been frequent complaints about higher prices, especially in relation to U.S. accommodation prices, the decrease of U.S. tourists to Canada in 1976 and the poor image evoked by both domestic and foreign tourists that Canada, including Alberta, is becoming increasingly expensive as a holiday destination. Solutions to this problem as recommended by the respondents included:

- Travel Alberta to encourage more off-season and special interest travel (i.e. further development of vacation packages) in Alberta and to provide for greater promotion of areas outside Banff-Jasper National Parks;
- operators to implement or make greater use of internal control systems; and
- associations to relate to members that over-pricing in the long run will be detrimental to the industry.

It was generally felt that prices should be raised to compensate for any increased costs and to maintain fair profit levels, but that potential guests should receive value for monies expended.

Seasonality was perceived to be only of major concern to those accommodation operations in the province's National Parks since all other properties in various areas of Alberta had greater dependence on industrial, commercial and other demand sources. It was suggested that seasonality could be even a less important factor if operators diversified or specialized their plants and in conjunction with government, promoted more off-season business. It was also suggested that it was incumbent on government to develop more year-round tourism destination areas.

Problems in accommodation financing were limited to those operators in the 50 units and under range and generally were related to the financing of establishment renovations/expansions. It was recommended that government should encourage the provision of sources of funds on more reasonable terms for accommodation developments (i.e. lower interest rates, longer amortization periods, etc.) and, particularly, for the upgrading of existing facilities. It was

concluded that there appeared to be sufficient funds available for new accommodation developments through private financial institutions, provided that applicants could show evidence of the viability of their respective projects. It was also related that operators/developers should be better prepared by making more professional presentations for proposed projects to lenders. Two of the other fixed accommodation types were also found to lack sufficient financing for expansion purposes, i.e. youth hostels and YMCA/YWCAs.

A large number of other problems were mentioned by operators but none were of such magnitude to necessitate immediate remedial action. Their identification and possible solutions are documented in the body of this report.

From our interviews with representatives of financial institutions, it was found that lenders had experienced the following problems in providing financing to the accommodation industry:

- unsatisfactory management of operations;
- inadequate forecasts of project capital costs;
- lack of in-depth market analysis; and
- insufficient projections of cash flows.

Their recommendations on solutions to these problems were:

- borrowers should carry out a thorough and objective market analysis prior to approaching a lender;
- borrowers should have firm development cost estimates included in a project capital budget;

- borrowers should prepare cash flow forecasts;
- borrowers should have an adequate background, ideally a combination of theoretical training and practical experience in the accommodation industry;
- borrowers should develop a detailed background statement of their companies, including management resumes, past performance, future goals, etc.;
- developers/operators receiving funds should maintain accurate and reliable financial records and reporting procedures; and
- developers/operators receiving funds should maintain close control over their operations during the terms of their loans/mortgages.

<u>Industry Issues</u> (Pages B-31 to B-43)

The respondents' opinions on the four issues identified at the beginning of this study were as follows:

. Labour Relations/Unions

All respondents felt that unionization was not necessary in the accommodation industry and that it would not make any significant inroads due to the small scale of operations, fragmentation of the industry and the transient nature of staff. It was also expressed that there was a great need for improvement in employer-employee relations and that if management showed real concern for its employees, unions assuredly would not be required.

. Establishment of an Industry Standards or Rating System

Sixty-three percent of accommodation operators interviewed were in favour of a rating system in principle, while 23% were in disagreement and 14% had no definite opinion. The Executives of the AHA, MAA and TIAALTA were found not to be in favour of such a system since they felt that one could not be fairly developed or administered in such a way that establishments would be compared with only those establishments with similar facilties and services. The majority of government officials interviewed were in favour of a grading system since it would provide a more complete inventory of the province's accommodation plant that would permit the industry and government to market it more effectively, and due to the system's role as a catalyst to industry improvement.

. Regulatory/Legislative Factors

Various aspects of these factors were discussed. Primarily, these included the current regulations of the ALCB, Alberta Labour and Parks Canada. The details on the comments regarding these regulations were discussed earlier in the Executive Summary.

. Effects of Size on Efficiency and Profitability

No clear consensus was reached on this issue other than it was tentatively concluded by all respondents that larger properties tended to have better prospects for increased efficiency and accompanying higher profits.

Industry Trends (Pages B-53 to B-59)

The majority of the trends that were isolated from our interviews with the responding parties and from our own experience within the accommodation industry were positive in nature and bode well for the long run health of the industry. Of prime importance, are those trends within the industry itself which will lead to a strengthening in its structure, decreases in costs, improved efficiency with better prospects for profits and overall enhancement of customer satisfaction. These internal trends were as follows: diversification/specialization of accommodation facilities, advent of budget-type properties, expansion of chain and franchise operations, increased demand for low cost accommodation, growth in ownership of independent multi-unit operations, increasing use of reservation/referral and other electronic processing systems, development of specialty/theme food and beverage facilities, rising accommodation prices, improvement/usage of accommodation design techniques, increasing number of hospitality management contracts, high occupancies in rural areas due to work crews, increased awareness and use of marketing plans and increasing difficulties in acquiring trained labour.

CONCLUDING REMARKS

Overall, this volume of the Alberta Accommodation Industry Study provided a broad perspective on the industry as seen by the major parties involved in it, namely operators, their trade association executives and government. These parties' comments were then blended with our own evaluation of the factors addressed in Volume II.

OBJECTIVES

The objectives of Volume II: Industry Analysis were two-fold:

(1) to determine and evaluate current industry practices and policies and their effect on the future performance of Alberta's accommodation industry; and

(2) to determine and evaluate significant industry-wide problems, issues and trends that the Alberta accommodation industry is faced with in achieving its development potential.

It was felt that when these objectives were fully achieved, the results would provide several important benefits to the provincial government, to the accommodation industry's associations and to the individual lodging operators in the province. It was suggested that the following benefits would accrue:

(a) Department of Business Development and Tourism

- the factual base to formulate strategies for accommodation industry improvement; and
- the determination of what the government's role should be in dealing with the most important problems and issues that the accommodation industry faces now and in the future.

(b) Accommodation Industry Associations

- the provision of information which will enable the associations to identify and develop solutions to significant industry problems and issues that affect their members; and
- the determination of the associations' roles in dealing with the most significant problems and issues that the accommodation industry faces presently and in the future.

(c) Individual Lodging Operator

- the provision of a critique of current industry operating practices and policies; and
- assistance in identifying particular industry problems, issues and trends for the benefit of individual operators.

METHODOLOGY

Volume II: Industry Analysis was sub-divided into two main parts as follows:

PART A: INDUSTRY PRACTICES AND POLICIES
(which included a review and evaluation of common industry practices and policies); and

PART B: INDUSTRY PROBLEMS AND ISSUES
(which included a review and evaluation of industry problems, issues and trends).

The information on current industry practices and policies was gathered from the 230 accommodation industry operators interviewed during the field work portion of the assignment. As previously mentioned in Volume I: Industry Definition, these accommodation operators were randomly selected according to categories of accommodation, numbers of rooms available and locations in the province by TIAALTA zone. It was felt that this statistical method would ensure that a satisfactory cross-section of operator responses would be collected. Accommodation operators were questionned on practices and policies pertaining to marketing, personnel management, accounting and control systems, repairs and maintenance and the use of government financial and technical assistance programs.

From the analysis of this information, it was hoped to determine the effects that these practices and policies had had and would have on the performance of the accommodation industry. Secondly, by comparing the current state of the art in Alberta with optimum industry practices and policies, recommendations could be devised as to the improvements that could be made in the current situation to increase overall accommodation industry performance in the future.

As well as analyzing the information gathered on a province-wide basis, the responses received from the accommodation operators were also subdivided according to the size ranges of properties and categories of accommodation utilized in Volume I.

Information from the same 230 operator interviews was also used in the identification and review of the accommodation industry's significant problems and issues. In addition, the opinions of the accommodation and tourist trade association executives, key government officials and representatives of major financial institutions and other operators who provide various types of overnight accommodation were gathered. All of this information was analyzed to determine which problems and issues were considered to be of the greatest significance to the five parties interviewed (i.e. since the problems and issues were ranked in order of their priorities by parties interviewed). In interviewing the five groups, opinions were also sought on possible solutions to major problems and issues and as to what the respective roles of industry and government should

be in remedying these problems and resolving issues. Problems and issues uncovered in this manner were also identified when appropriate, as either of a micro, macro, external or regional scale. Region and TIAALTA zone maps are included over page for the readers' convenience.

The review and evaluation of the effects of significant accommodation industry trends were completed in conjunction with the interviews from the same five parties mentioned above.

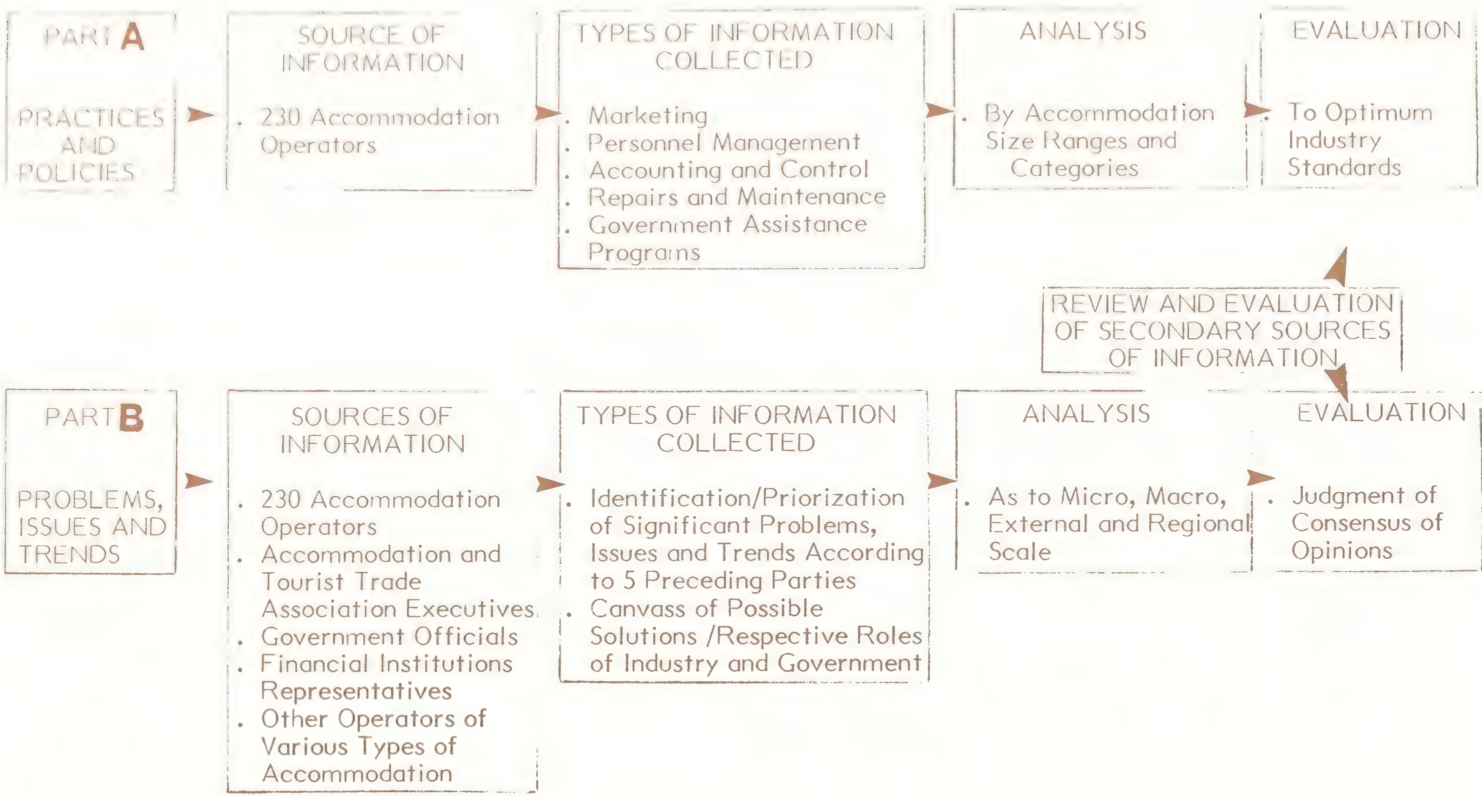
Subsequent to establishing the comparability of the accommodation industry's current practices and policies to optimum industry norms and the consensus of opinions on the industry's problems, issues and trends, a review and evaluation of secondary sources of information applicable to Volume II was undertaken as documented in Appendix 4: Bibliography.

Figure I, over page shows a schematic presentation of the methodology of Volume II: Industry Analysis.

FIGURE I

SCHEMATIC OF ALBERTA ACCOMMODATION INDUSTRY STUDY METHODOLOGY

VOLUME II: INDUSTRY ANALYSIS



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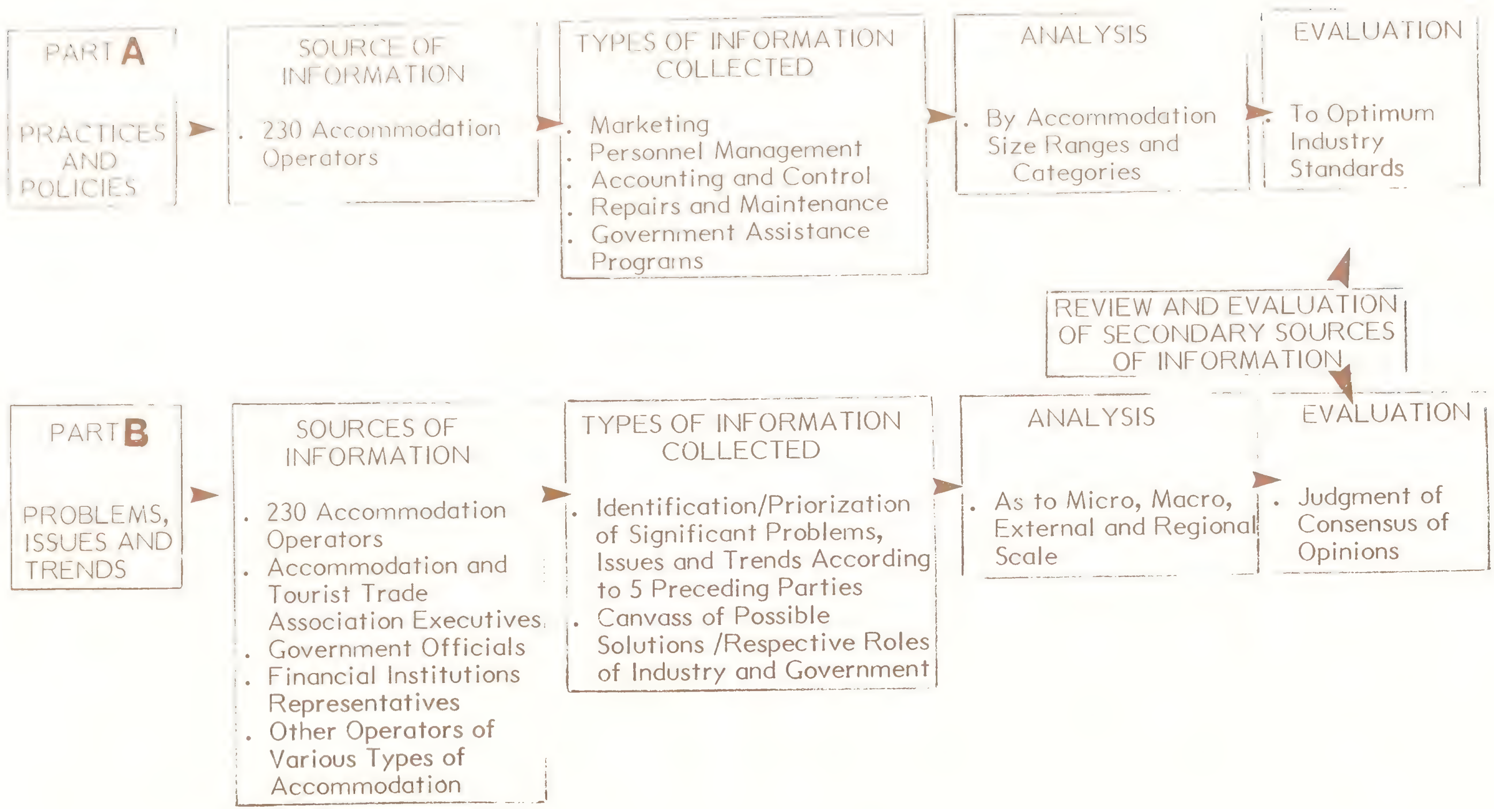
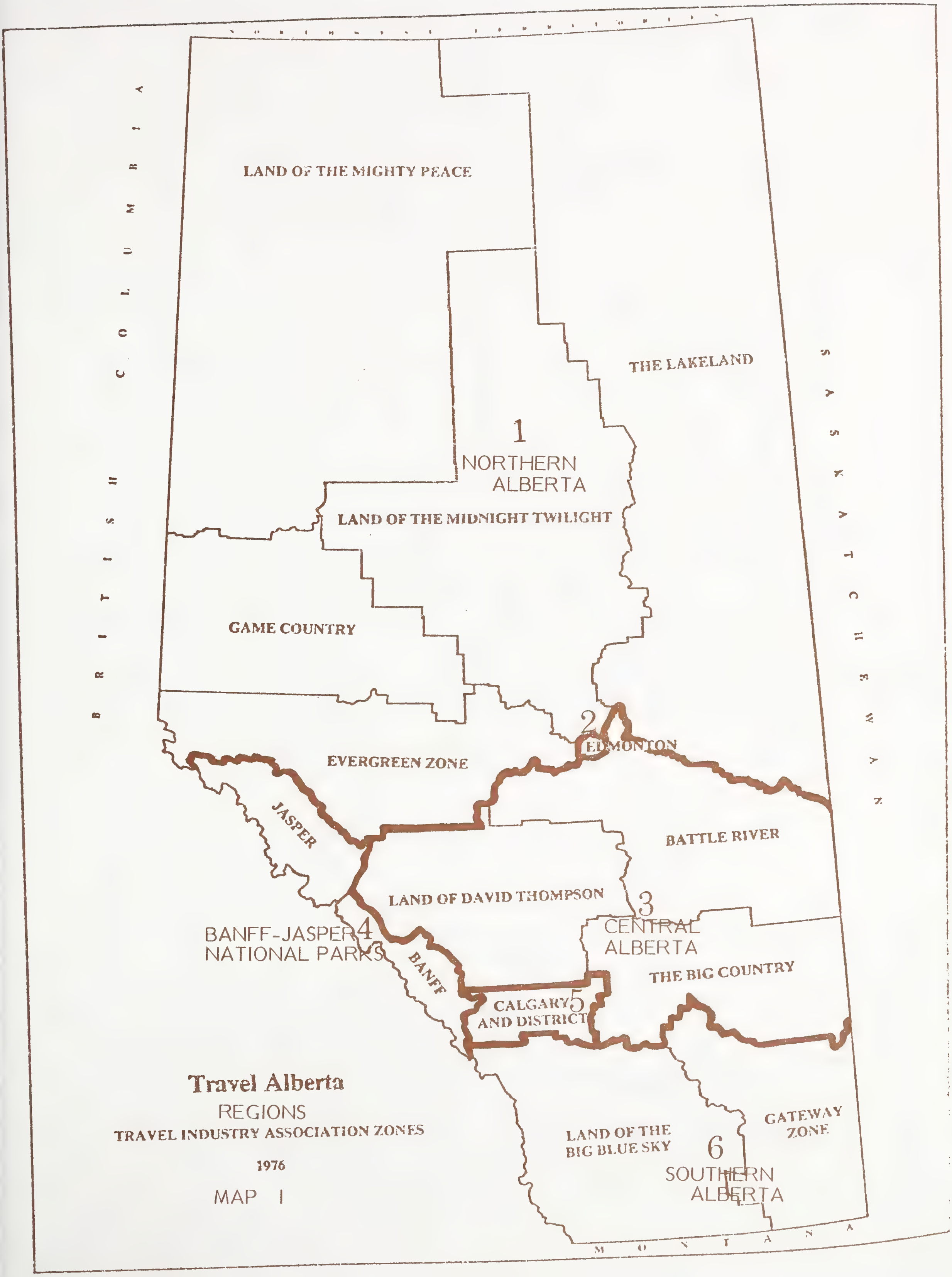
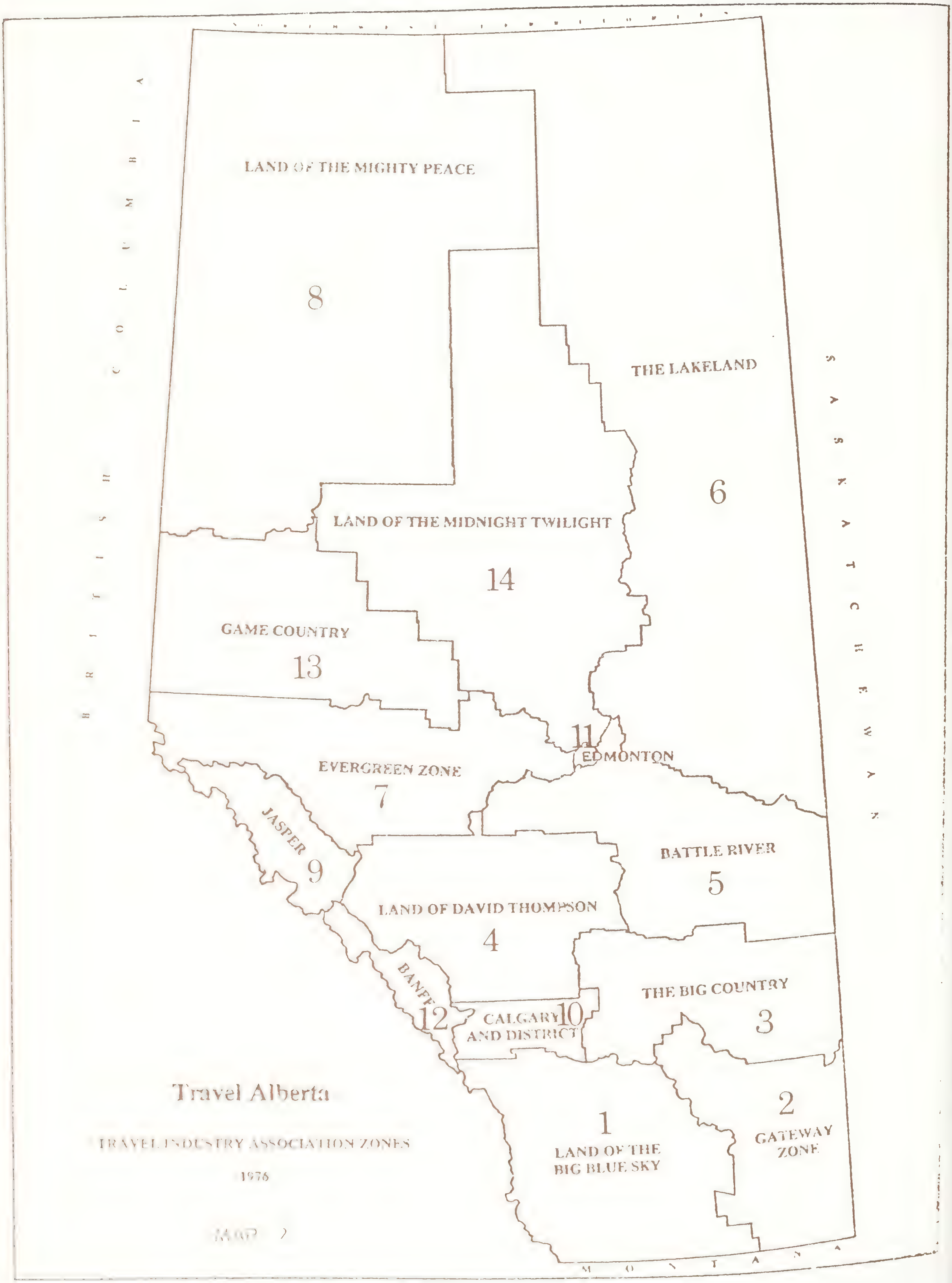




LAND OF THE MIGHTY PEACE
THE LAKELAND
1
NORTHERN ALBERTA
LAND OF THE MIDNIGHT TWILIGHT
GAME COUNTRY
EVERGREEN ZONE
2
EDMONTON
JASPER
BATTLE RIVER
LAND OF DAVID THOMPSON
3
CENTRAL ALBERTA
BANFF-JASPER NATIONAL PARKS
4
BANFF
THE BIG COUNTRY
CALGARY AND DISTRICT
5
GATEWAY ZONE
LAND OF THE BIG BLUE SKY
6
SOUTHERN ALBERTA
BRITISH COLUMBIA
SASKATCHEWAN
MONTANA
Travel Alberta
REGIONS
TRAVEL INDUSTRY ASSOCIATION ZONES
1976
MAP I



Travel Alberta

TRAVEL INDUSTRY ASSOCIATION ZONES

1976

MAP 2

PART A

INDUSTRY PRACTICES AND POLICIES

"It is managements' job to try to bring managements' and employees' goals in as close harmony as will permit maximum productivity and earnings for the hotel or restaurant."

- D.E. Lundberg and J.D. Armatas
The Management of People in Hotels, Restaurants, and Clubs (1975)

" Successful marketing consists of both product development and product promotion. Successful accommodations usually have developed a desired product in terms of facilities and services. Less attention is given by most accommodations to promotion and sales."

- S. Wahab, L.J. Crampon and L.M. Rothfield
Tourism Marketing (1976)

"Due to the rapid acceleration and growth of the hospitality service industries, there remains an unfortunately large number of persons in all levels of management who have not been exposed to the uses of accounting data for managerial decisions."

- C.T. Fay, Jr., R.C. Rhoads and R.L. Rosenblatt
Managerial Accounting for the Hospitality Service Industries (1976)

PART A

INDUSTRY PRACTICES AND POLICIES

I. MARKETING

Since marketing (i.e. planning and accomplishing sales aimed at a specific target market) is "the most difficult and important part of the lodging manager's job" and "probably the greatest intellectual challenge in management, [it requires that present and prospective managers have] imagination, understanding, intuition, knowledge and information to be effective."[1] In order for lodging managers to stay in tune with the ever-increasing and changing patterns of consumer wants and needs, we have placed considerable importance to marketing practices and policies that are currently being enacted by accommodation operators in Alberta.

I.I Knowledge of the Marketing Concept and Use of Marketing Plans

Only 18% of the 230 properties interviewed actively utilized marketing plans in their operations. This proportion increased as the size of properties increased with 50% of the properties over 75 units using plans compared to only 14% for those with 75 units and under. An identical proportion (23%) of the hotels and motor hotels interviewed indicated that they used these plans, compared to only 11% of the motels. Additionally, 21% of the cabin/bungalow establishments used plans as did two out of the three lodges visited.

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[1] McIntosh, R.W., Marketing Management ... in the Lodging Industry, (Extension Bulletin E677, Cooperative Extension Service, Michigan State University, East Lansing, Michigan, 1974), pg. 2.

While this very low usage of even the most rudimentary marketing plans may be quite typical of the accommodation industry throughout Canada, there is nevertheless a great need for improvement in the marketing expertise of accommodation operators in Alberta. Since we consider marketing to be the most important function in accommodation operations, it can be said that the industry is not operating as effectively as it could if there was greater knowledge of the marketing concept.

The most common misconception among accommodation operators is that marketing is simply selling, in other words, one takes what one has and promotes it to create sales. In the marketing concept, however, the customer comes first and not the product. The other key element of the marketing concept is that the market can be sub-divided into distinct segments, each of which offers its own opportunities and requires an individualized marketing approach.

For existing operators to effectively market their establishments, they require basic information about both their past customers and their establishments. The necessary customer information includes geographical origins, reasons for visit, lengths of stay, size of groups, numbers of previous visits, etc. In addition, operators should personally review the strengths and weaknesses of their property as compared with their principal competitors, and should regularly ask customers to evaluate them also. During our field work, we found that only a small proportion of operators gathered this most basic information.

While it is true that a significant proportion of the Alberta accommodation industry consists of small rural hotels that are largely in the beverage business and have less of a need for this information, it can be said that certain serious industry problems are due to the lack of understanding of the marketing concept. These include the following:

- establishments are not achieving their full profit potential;

- too great a reliance is being placed on existing market sources and not on developing potential markets. This can be extremely dangerous since major fluctuations in demand in existing markets will seriously damage the profitability of businesses, e.g. where a large construction project comes to an end in an area;

- promotional expenditures are not being used to their full effectiveness since they are being aimed at mass markets rather than at specific targets. Furthermore, most operators have no method of measuring the effectiveness of their promotional dollars;

- accommodation facilities can become obsolete since operators have no means of continuously monitoring their customers' reactions to their establishments; and

- the viability of smaller and independently operated establishments can be seriously threatened by the development of chain operations using more sophisticated marketing techniques.

TABLE 1

METHOD OF SETTING RATES BY SIZE RANGE AND CATEGORY OF ACCOMMODATION

Size/Category Parameters / Methods	INTUITIVE	COMPETITIVE	FOLLOW-THE-LEADER	TRIAL-AND-ERROR	PSYCHOLOGICAL	TARGET
Size Ranges	% of Establishments	% of Establishments	% of Establishments	% of Establishments	% of Establishments	% of Establishments
0-9	64	23	0	0	0	13
10-24	40	47	6	1	0	6
25-49	29	48	1	5	3	14
50-75	14	48	7	0	0	31
76-199	0	44	6	0	0	50
200-499	0	50	0	0	0	50
500+	0	50	0	0	0	50
All Establishments	31	45	4	2	1	17
Categories						
Hotel	43	40	3	1	1	12
Motel	30	47	4	3	0	16
Motor Hotel	8	50	8	0	0	34
Lodge	0	33	0	0	0	67
Cabin/ Bungalow	29	57	7	0	0	7
All Establishments	31	45	4	2	1	17

While there are no doubt other problems that result from this lack of knowledge of marketing, we now turn our attention to some individual components of the marketing function.

1.2 Methods and Structures of Pricing

The definitions of the various methods of pricing described in the Inn Business publication have been recorded in Appendix 3: Glossary. The usage of these methods by the establishments interviewed was found to be as follows:

USE OF VARIOUS PRICING METHODS	%
Intuitive	31
Competitive	45
Follow-the-Leader	4
Trial-and-Error	2
Psychological	1
Target	17
TOTAL	100%

There was a considerable fluctuation in pricing methods according to both the size and category of establishment as is shown in Table I, opposite page.

Before evaluating these statistics, an indication of the validity of the various methods is required. The three most unsophisticated methods are the intuitive, competitive and follow-the-leader since they normally are not based on the cost of providing the facilities and services, nor on the value of these offerings to customers and finally, they are normally not designed to appeal to

specific target markets. Target pricing is the most sophisticated since it relates price-setting to the profit goals of the operator. The psychological and trial-and-error methods can be effective also if they are built onto a target pricing approach. If not, they are only slightly superior to the three methods discussed first. Finally, a combination of target and competitive pricing can be extremely effective and this approach is often found in larger properties.

The first conclusion that can be drawn from our findings is that approximately 80% of the operators interviewed are using the most unsophisticated pricing methods. Eighty-four percent of the operators with 75 or less rooms use the most unsophisticated methods, compared to 50% of those with over 75 rooms. In relative terms, motor hotels used the most sophisticated pricing methods while cabin/bungalow establishments used the least sophisticated.

However, in fairness to the smaller accommodation operator many of the advanced management techniques such as marketing plans and detailed pricing methods are simply not really necessary. Their operations do not require the same techniques as do the larger, more complex businesses.

In our opinion, the present situation with respect to pricing is serious since accommodation customers, and particularly those from out-of-province locations, are becoming more price conscious. In this respect, there is a widely held opinion that the decreases in U.S. visitors to Canada in recent years were caused to a large extent by the increasing expensiveness of Canada as a destination relative to competitive U.S. or foreign destinations. While the province's accommodation is buoyed by the rapid economic growth in some sectors of the Alberta economy, this situation lends itself to the use of seat-of-the-pants approaches to pricing, the use of which in more normal times can lead to serious pricing problems. On the other hand, individual operators using these

methods often lose potential sales and profits by either over or under pricing their facilities and services.

In summary, there is a need for vast improvements in the pricing methods used by Alberta's accommodation operators. First, operators should know that there are a variety of methods available, each of which can be used individually or in combination with another method. Secondly, they should be encouraged to develop a greater degree of familiarity with the costs of their operations, particularly on a unit cost basis (i.e. per room or per menu item). Finally, through a greater appreciation of the marketing concept, they should be brought to realize that prices can be varied according to the market source and by the period of the year. These conclusions highlight the need for more intensive educational activities aimed at existing operators and especially for those whose establishments have 75 rooms or less.

The types of pricing structures, as defined in Appendix 3: Glossary, that were utilized by the operators interviewed follows:

TYPES OF PRICING STRUCTURES UTILIZED	%
European Plan	99
American Plan	2
Modified American Plan	3
Corporate/Government Discounting	19
Group Travel Rates	15
TOTAL	138%*

* Responses totalled more than 100% since some operators indicated that they used more than one pricing structure.

TABLE 2

PRICING STRUCTURES BY SIZE RANGE AND CATEGORY OF ACCOMMODATION

Size/Category Parameters / Structures	EUROPEAN PLAN	AMERICAN PLAN	MODIFIED AMERICAN PLAN	CORPORATE/ GOVERNMENT DISCOUNTING	GROUP TRAVEL RATES
Size Ranges	% of Establishments	% of Establishments	% of Establishments	% of Establishments	% of Establishments
0-9	100	0	0	9	0
10-24	100	0	0	6	2
25-49	100	3	3	19	8
50-75	100	0	0	41	35
76-199	94	6	11	39	56
200-499	83	17	33	67	100
500+	100	50	100	50	50
All Establishments	99	2	3	19	15
Categories					
Hotel	100	2	5	18	15
Motel	100	0	0	16	14
Motor Hotel	100	0	4	35	19
Lodge	33	67	67	0	33
Cabin/ Bungalow	100	7	7	14	7
All Establishments	99	2	3	19	15

A breakdown of the pricing structures by size and category of accommodation is shown in Table 2, opposite page. These statistics confirm that relative to other transient accommodation categories, the motor hotels used the most sophisticated pricing since a higher proportion of them offered corporate/government discounts and group travel rates.

1.3 Utilization of Various Types of Advertising Media

The following breakdown of advertising media used was found for those operators interviewed:

TYPES OF ADVERTISING MEDIA UTILIZED	%
No advertising	12
Direct Mail	11
In-house/External Signs	66
Newspaper	56
Magazine	24
Radio	30
Television	10
TOTAL	209%*

* Responses totalled more than 100% since some operators indicated that they used more than one advertising medium.

For those establishments with 75 units and under, it was found that 13% used no advertising (i.e. apart from their establishments' signs) compared to only 4% of those with over 75 units. Of the transient accommodation categories, the motor hotels used the most varied mix of advertising media. Quite

TABLE 3

USE OF VARIOUS ADVERTISING MEDIA BY SIZE RANGE AND CATEGORY OF ACCOMMODATION

Size/Category Parameters / Media	NO ADVERTISING	DIRECT MAIL	IN-HOUSE /EXTERNAL SIGNS	NEWSPAPERS	MAGAZINE	RADIO	TELEVISION
Size Ranges	% of Establishments	% of Establishments	% of Establishments	% of Establishments	% of Establishments	% of Establishments	% of Establishments
0-9	27	5	55	50	5	14	0
10-24	15	2	61	48	17	22	5
25-49	8	8	72	57	22	34	14
50-75	7	17	69	62	38	45	14
76-199	6	44	72	83	39	39	11
200-499	0	83	67	67	100	100	67
500+	0	0	100	100	100	0	50
All Establishments	12	11	66	56	24	30	10
Categories							
Hotel	16	12	62	68	23	42	15
Motel	11	7	70	48	23	19	6
Motor Hotel	4	23	65	77	27	50	8
Lodge	0	67	67	33	67	100	67
Cabin/ Bungalow	14	7	64	14	29	0	14
All Establishments	12	11	66	56	24	30	10

understandably, the use of the more expensive media increased with the size of property as did the variety of media used, as shown in Table 3, opposite page.

Since the use of the various types of media depends greatly upon the markets served by individual establishments, we believe it to be rather meaningless for us to comment further on the types of media used.

1.4 Advertising Expenditures

Unlike the previous questions where all the operators interviewed responded, 58 out of 230 did not provide answers to this particular question. These operators either refused to divulge these figures or did not know what their advertising expenditures amounted to.

For the 172 that did respond, advertising expenditures totalled approximately $2.37 million in 1976. Twenty establishments in the over 75 unit range accounted for 75% of this total, with an average expenditure per establishment of $89,175. The remaining 152 properties (i.e. those with 75 units or less) had an average expenditure of $3,860.

It was felt that the most meaningful statistics were those that showed average advertising expenditures per room by various size and category combinations. These statistics are shown in the following chart:

AVERAGE ADVERTISING EXPENDITURES PER ROOM BY SIZE RANGE AND CATEGORY OF ACCOMMODATION (1976)						
Size Ranges	CATEGORIES					Average Per Size Range
	Hotel	Motel	Motor Hotel	Lodge	Cabin/ Bungalow	
0-9	$236	$51	$N/S	$N/S	$I/S	$151
10-24	217	71	192	N/S	I/S	121
25-49	147	69	512	I/S	I/S	139
50-75	133	72	326	N/S	N/S	178
76-199	205	I/S	307	I/S	N/S	210
200+	566	N/S	N/S	I/S	N/S	I/S
Average Per Category	$377	$64	$332	$I/S	$60	$285

N/S: Not sampled
I/S : Insufficient sample

In addition, the following chart shows the average percentage relationship of advertising expenditures to total revenues for the various size and category combinations:

"As far as the operator is concerned there can only be one reason to pursue the group business market --- to increase the profitability of his business."

- Ontario Ministry of Industry and Tourism
  The Business ... of Group Business (1977)
  Prepared by Pannell Kerr Forster & Associates

"In today's very competitive markets, an intelligent operator should view the travel trade as a very valuable marketing tool, in many ways an appendage of his own marketing efforts. A commission to a travel agent or the rate reduction in giving a net rate to an operator/wholesaler should be compared to the expenses that would otherwise have been incurred in advertising and promotion to fill the room or rooms. In many cases the travel trade sale will work out less than ordinary advertising and promotion."

- Ontario Ministry of Industry and Tourism
  The Business ... of Group Business (1977)
  Prepared by Pannell Kerr Forster & Associates.

PERCENTAGE RELATIONSHIP OF ADVERTISING EXPENDITURES TO TOTAL REVENUES BY SIZE RANGE AND CATEGORY OF ACCOMMODATION (1976)

Size Ranges	CATEGORIES Hotel (%)	Motel (%)	Motor Hotel (%)	Lodge (%)	Cabin/ Bungalow(%)	Average Per Size Range(%)
0-9	.91	1.41	N/S	N/S	I/S	1.0
10-24	1.14	1.74	I/S	N/S	I/S	1.18
25-49	.97	1.43	1.0	I/S	I/S	1.04
50-75	1.44	1.52	1.44	N/S	N/S	1.46
76-199	1.65	I/S	1.75	I/S	N/S	1.62
200+	7.03	N/S	N/S	I/S	N/S	I/S
Average Per Category	3.41	1.39	1.45	I/S	.70	2.6

N/S: Not sampled
I/S : Insufficient sample

There is little comparable data available in Canada to relate these statistics to and it is, therefore, quite difficult to judge whether these provisions for advertising are greater or less than the industry average in Canada. Some industry average statistics have a bias towards hotels and motor hotels over 50 rooms in size, e.g. Pannell Kerr Forster & Company's "Trends in the Hotel Business: International Edition" and Laventhol & Horwath's "Worldwide Lodging Industry" publications. While it is, therefore, difficult to comment on establishments with under 50 rooms, certain conclusions were drawn about the expenditures of establishments in the transient categories with over 50 rooms. For all three categories (hotels, motels and motor hotels) it was concluded that advertising expenditures of those establishments between 50 - 199 rooms were significantly below the industry average in Canada, which is roughly equal to

between 2.5% and 3% of total sales. The averages for hotels with 200 rooms and over were, on the other hand, considered to be above the industry average for this size range of property.

In suggesting that most accommodation establishments should be spending at least 2% of total sales on advertising, one caveat must accompany this rule-of-thumb. As was pointed out earlier, we found that approximately eight out of ten operators interviewed did not even have the most basic understanding of the marketing concept. This being the case, it is therefore likely that only two out of ten operators are using their advertising dollars to their full effectiveness. While the quantity of advertising may justify an increase, its purpose and quality must receive first consideration.

1.5 Utilization of Travel Trade

Our field work data gathering forms also included a question aimed at determining the usage of travel agents and tour operators/wholesalers by various types and sizes of accommodation operations.

The overall response to this question was as follows:

USAGE OF THE TRAVEL TRADE BY SIZE RANGE AND CATEGORY OF ACCOMMODATION							
Size Ranges	CATEGORIES						Average Per Size Range(%)
	Hotel (%)	Motel (%)	Motor Hotel (%)	Lodge (%)	Cabin/ Bungalow(%)		
0-9	0	0	N/S	N/S	0		0
10-24	0	17.3	0	N/S	0		10.2
25-49	4.0	20.0	0	100.0	75.0		16.9
50-75	75.0	83.3	46.2	0	N/S		65.5
76-199	62.5	50.0	80.0	100.0	N/S		66.7
200-499	100.0	N/S	N/S	100.0	N/S		100.0
500+	100.0	N/S	N/S	N/S	N/S		100.0
Average Per Category	19.5	25.7	38.5	100.0	21.4		25.7

N/S: Not sampled

Before discussing these levels of usage of the travel trade, certain comments should be made about this element of the accommodation market.

It is characteristic of the accommodation industry throughout Canada that travel agents and tour operators make very low usage of establishments with less than 25 units. This is particularly true of the bus tour market which normally requires that an establishment have a minimum of 20-25 rooms with twin beds to cater to it. Secondly, travel agents and tour operators tend to provide more business to establishments catering to the pleasure market rather than to the business/convention market. This means then that transient properties (i.e. hotels, motels and motor hotels) generally have a lower percentage of their

business from the travel trade than do destination properties (i.e. resort hotels, lodges and larger cottage resorts). Finally, if there are no guarantees about the standards of facilities in establishments, either through their belonging to a chain or referral groups or through the existence of a grading system, agents or operators/wholesalers are less likely to recommend these establishments to their clients.

Bearing these comments in mind it is not surprising to find that only 11% of the establishments with under 50 units had received business from the travel trade, compared to 71% of the establishments with 50 units or over.

Operators were also asked to give reasons for the choice of using or not using the travel trade. The most frequent responses received from those that had not utilized travel trade channels were that their establishments were too small and did not contain the facilities that agents and operators require, or they were unwilling to pay the commissions that the travel trade desires, or they did not see the need to develop this market. It was noticeable that these comments came mainly from small hotels and motels.

Those that had used the travel trade said that they did so to build up the poorer months of their year because they did not have their own sales staff or because they liked the fact that this type of business usually meant that reservations were guaranteed.

While we again feel that insufficient use is being made of the travel trade by Alberta's accommodation operators, we believe that some operators

correctly hold the opinion that their establishments are too small to attract this type of business. The fairly widely held opinion that agents and tour operators/wholesalers do not deserve or earn their commissions is however a very short-sighted viewpoint and is one that is commonly held by those operators who do not fully understand the marketing concept. Whether the agent or tour operator/wholesaler deserves the commission or not is a moot point. The intelligent operator should rather be focussing his attention on determining whether it would cost him more or less to attract a similar volume of business using conventional advertising methods. In the final analysis, it is always better to have rooms filled at lower than advertised rates than to have them sit empty and bring in no revenue.

When asked to estimate the percentage of their rooms business that originated from travel trade sources, wide variances were found from one region of the province to another. In Banff and Jasper, operators belonging to the first four categories and having 50 or more units estimated this to be between 40% and 60% of their total rooms business. The averages in other regions were much lower, equalling between 5% and 8% of total rooms business in the 50 units and over size ranges in all five categories.

1.6 Utilization of Special Promotions

The types of offerings that were included as special promotions included weekend and weekly packages for families, skiers and conference/meeting delegates. These included not only accommodation, but at least one other

element, e.g. meals, ski lift privileges, etc. The use of rate discounts for groups and individual travellers was discussed earlier and these are therefore not included in this sub-section of special promotions. Although menu specials are a type of special promotion, they also were not included.

Only 15 of the 230 operators interviewed used special promotions of this type. The majority of the 15 were located either in Banff-Jasper National Parks or in the major cities. Outside of these areas, the use of packages was found to be extremely limited and in several regions of the province was non-existent.

Based on our evaluation of the opportunities available, we believe that there is considerable potential to develop the vacation package market in Alberta both in terms of non-resident and resident travel. From the low usage of such promotions by accommodation operators, it was concluded that many operators are unaware of either the opportunities or the advantages of attracting patronage of this type. This situation is unfortunate since packages can be an important tool in boosting room occupancies in off-season periods and/or in slower periods of the week. We have, therefore, reached the conclusion that efforts should be made to provide further information to operators to assist them in identifying package vacation opportunities and in determining the market potential that exists for these.

1.7 Extent of Cooperative Advertising

Whereas the package implies that the individual operator promotes

his local area on his own, cooperative advertising involves a group of operators in promoting their local area or region of the province.

In the very broad sense of the definition, the 647 operations appearing in Travel Alberta's 1977 Accommodation Guide are involved in cooperative advertising. Similarly, all member properties of the Motel Association of Alberta (303) and the Alberta Hotel Association (470) are involved in cooperative advertising of one form or another. Alberta establishments belonging to referral (19) or franchise (18) groups also participate in cooperative advertising, as do those properties that agree to being listed in major commercial travel/accommodation publications such as the AAA/CAA motoring guides (129), the Red Book (14), the Wrigley's Hotel Directory (473), the Exxon Travel Guide (115), the Financial Times World Hotel Directory (13), the Official Hotel and Resort Guide, the Mobil Travel Guide and Leahy's Hotel Guide. On the other hand, the advertising of a group of chain-owned properties is not considered to be a cooperative advertising effort.

Whereas the advertising programs mentioned in the previous paragraph are cooperative in the broadest sense, the true cooperative advertising takes place at the local area level. This can take a variety of forms, including listings/advertisements in area brochures or newspapers published by a Chamber of Commerce, a TIAALTA zone, or other local organizations and sponsorship of local events, etc. Excellent examples of local cooperative advertising are the brochures/guides produced by each TIAALTA zone and especially those produced by the Banff-Lake Louise and Jasper Chambers of Commerce.

Of those establishments interviewed, we found that approximately 25% were participating in local cooperative advertising efforts. Although this figure is probably understated since some operators may not have been able to recall cooperative efforts that they were involved in, it was concluded that there is considerable scope for increasing cooperative advertising programs in many areas of Alberta. As was the case with special promotions, this potential can best be realized if further information is provided to operators on the advantages of participating in such programs and on how to identify the opportunities for establishing cooperative programs.

1.8 Referrals of Business to Other Accommodation Establishments

The referral of business from one accommodation establishment to another can be classified into three distinct types. First, there is the referral of business from one chain-owned or franchised property to another. The referral group is the second type where establishments in the group send business to other members of the group, e.g. the Friendship Inns International group and the Canadiana Hotel and Motel Properties group. Lastly, there is the most common type of referral where operators in an area send their overflow to other operators.

Ninety-two per cent of the operators interviewed provided one or more of the three types of referrals. No significant differences were found according to the size or category of establishment.

It was concluded that this statistic indicated that a healthy degree of cooperation existed between most operators in the province.

2. PERSONNEL MANAGEMENT

Bearing in mind that manpower was found to be the single most important industry problem, we have paid particular attention to personnel practices that we found to be practised in the Alberta accommodation industry.

2.1 Use of On-the-Job Training

Forty-eight per cent of the establishments visited provided in-house, on-the-job training for employees. The usage of this training method by the various size/category combinations is shown in the following chart:

PERCENTAGE OF ESTABLISHMENTS USING ON-THE-JOB TRAINING BY SIZE RANGE AND CATEGORY OF ACCOMMODATION

Size Ranges	CATEGORIES					Average Per Size Range(%)
	Hotel (%)	Motel (%)	Motor Hotel (%)	Lodge (%)	Cabin/ Bungalow(%)	
0-9	50.0	14.3	N/S	N/S	0	31.8
10-24	61.5	34.6	100.0	N/S	28.6	44.3
25-49	76.0	30.0	60.0	0	25.0	49.2
50-75	100.0	25.0	46.2	N/S	N/S	44.8
76-199	100.0	75.0	40.0	0	N/S	72.2
200+	85.7	N/S	N/S	100.0	N/S	87.5
Average Per Category	72.0	32.4	53.8	33.3	21.4	48.3

N/S: Not sampled

Again there was a significant difference between establishments with 75 units or less and those with over this range, the former using the on-the-job

training method in 45% and the latter in 77%. Hotels and motor hotels made the most use of this method, while motels and cabin/bungalow establishments made the least.

The remaining 52% of the establishments that did not use on–the -job training either hired employees with previous training and experience for the job, or hired inexperienced employees and put them to work with no supervision or training. Both of these latter practices are far from being the ideal and further, it is our opinion that they are major contributors to the high level of staff turnover in Alberta's accommodation industry.

Recognizing then that more than half of the operators interviewed were not employing the most basic method of training, it was a rather obvious conclusion that there exists a great need to improve the personnel management skills of many managers and operators of accommodation establishments in Alberta. This need is greatest in establishments of all categories with 75 units or less and, to a somewhat lesser extent, in the medium-size range from 76 - 199 units.

2.2 Provision for Outside Training

Outside training was designed to include such activities as employees' attendance at community college courses, courses offered by chains and referral groups, management seminars offered by the Alberta Hotel Association and courses offered by local Chambers of Commerce.

Only 20% of the establishments interviewed had made use of one or more of the above. The use of outside training programs by the various size/category combinations is shown in the following chart:

PERCENTAGE OF ESTABLISHMENTS PROVIDING FOR OUTSIDE TRAINING BY SIZE RANGE AND CATEGORY OF ACCOMMODATION						
	CATEGORIES					Average Per Size Range(%)
Size Ranges	Hotel (%)	Motel (%)	Motor Hotel (%)	Lodge (%)	Cabin/ Bungalow(%)	
0-9	16.7	0	N/S	N/S	0	9.1
10-24	15.4	7.7	0	N/S	0	9.1
25-49	28.0	6.7	20.0	0	50.0	18.5
50-75	50.0	16.7	30.8	N/S	N/S	27.6
76-199	62.5	0	60.0	0	N/S	44.4
200-499	80.0	N/S	N/S	100.0	N/S	83.3
500+	100.0	N/S	N/S	N/S	N/S	100.0
Average Per Category	31.7	7.6	30.8	33.3	14.3	19.6

N/S: Not sampled

It can be seen from the chart above that the usage of outside training programs increased with the size of the establishment, with approximately 58% of establishments in the over 75 unit range using them compared to 15% of the establishments with 75 units or less. Hotels, motor hotels and lodges made the greatest use of these programs while motels made the least.

As a follow-up question, operators were asked to indicate if they thought these courses and seminars were beneficial to the industry. Of the operators interviewed, 154 expressed a definite opinion on the subject with 87% indicating that they considered these programs beneficial and 13% indicating that they felt they were not. The distribution of these 154 responses was as follows for the various size/category combinations:

PERCENTAGE OF RESPONDENTS FEELING THAT OUTSIDE TRAINING PROGRAMS ARE BENEFICIAL BY SIZE RANGE AND CATEGORY OF ACCOMMODATION (Sample = 154 Establishments)

Size Ranges	CATEGORIES					Average Per Size Range(%)
	Hotel (%)	Motel (%)	Motor Hotel (%)	Lodge (%)	Cabin/ Bungalow(%)	
0-9	83.3	80.0	N/S	N/S	33.3	75.0
10-24	85.7	83.9	66.7	N/S	60.0	81.7
25-49	85.7	100.0	75.0	0	100.0	90.0
50-75	100.0	50.0	66.7	N/S	N/S	70.6
76-199	85.7	100.0	100.0	100.0	N/S	70.0
200-499	80.0	N/S	N/S	100.0	N/S	100.0
500+	100.0	N/S	N/S	N/S	N/S	100.0
Average Per Category	85.7	84.2	76.2	100.0	60.0	87.0

N/S: Not sampled

From a comparison of the responses to the two questions asked on the subject of outside training, it appeared paradoxical that while almost 9 out of 10

operators felt that the programs were beneficial to the industry, only 2 out of 10 had taken advantage of them. It was concluded that there was considerable potential for increasing accommodation operators' use of outside training programs.

An additional question asked those operators who felt these programs were not beneficial to indicate the type of action needed to improve employee skills and productivity levels. In tabulating the responses to this question, the comments of those operators who had not offered a definite opinion on the first question, and of some operators who had indicated a favourable opinion were also taken into account. Only 12% of the operators interviewed provided definitive answers to this question. The suggestion which occurred most frequently was that there was an overall need to expand upon the type and frequency of courses offered, particularly of the seminar/workshop type that was aimed at improving management skills. A need was also perceived in providing courses aimed at improving employee attitudes to work and especially for those employees in direct contact with customers. Several operators in rural areas suggested that these seminars or courses should be of the "mobile" variety, being offered around the province at different times of the year. The majority of suggestions indicated the seminars/workshops (2 - 3 days) and employee training courses (2 weeks) should be of a fairly short duration. These comments appeared to provide further confirmation of the potential for improving management and staff skills through externally developed training programs.

2.3 Utilization of Job Analysis

Another important aspect of the personnel management function is the development of the various tools referred to under the general heading of job analysis. Job analysis is defined as the task of designing job descriptions, job specifications and job evaluations for each job in an accommodation establishment. A brief description of these three terms is given in Appendix 3: Glossary.

While not truly a part of job analysis, the organization chart is quite closely related as it provides an overall framework for the activity. It shows the employee where his position is on the establishment's hierarchy and his reporting/supervisory responsibilities.

As a whole, the operators interviewed indicated the following usage of the four personnel management tools mentioned above:

- Organization charts - 13% of all establishments interviewed
- Job descriptions - 27% of all establishments interviewed
- Job specifications - 8% of all establishments interviewed
- Job evaluations - 8% of all establishments interviewed

The usage of these tools by the various size/category combinations of accommodation are shown in Table 4, over page.

In general, it was concluded that the usage levels of all four tools were very low with the most popular tool, the job description, being used in less

TABLE 4

PERCENTAGES OF ESTABLISHMENTS USING VARIOUS PERSONNEL MANAGEMENT TOOLS BY SIZE RANGE AND CATEGORY OF ACCOMMODATION

Tool	Size Ranges	CATEGORIES Hotel (%)	Motel (%)	Motor Hotel (%)	Lodge (%)	Cabin/ Bungalow(%)	Average Per size Range(%)
ORGANIZATION CHART	0-9	0	0	N/S	N/S	0	0
	10-24	3.8	5.8	0	N/S	0	4.5
	25-49	20.0	6.7	20.0	0	0	12.3
	50-75	25.0	8.3	15.4	N/S	N/S	13.8
	76-199	62.5	0	20.0	100.0	N/S	38.9
	200-499	80.0	N/S	N/S	100.0	N/S	83.3
	500+	100.0	N/S	N/S	N/S	N/S	100.0
	Average Per Category	22.0	5.7	15.4	66.7	0	13.0
JOB DESCRIPTION	0-9	16.7	0	N/S	N/S	0	9.1
	10-24	38.5	5.8	66.7	N/S	0	17.0
	25-49	52.0	13.3	60.0	0	25.0	32.3
	50-75	50.0	33.3	23.1	N/S	N/S	31.0
	76-199	62.5	25.0	40.0	0	N/S	44.4
	200-499	80.0	N/S	N/S	100.0	N/S	83.3
	500+	100.0	N/S	N/S	N/S	N/S	100.0
	Average Per Category	46.3	11.4	38.5	33.3	7.1	27.0
JOB SPECIFICATION	0-9	0	0	N/S	N/S	0	0
	10-24	7.7	1.9	0	N/S	0	3.4
	25-49	4.0	0	0	0	25.0	3.1
	50-75	50.0	8.3	7.7	N/S	N/S	13.8
	76-199	25.0	0	0	0	N/S	11.1
	200-499	80.0	N/S	N/S	100.0	N/S	83.3
	500+	100.0	N/S	N/S	N/S	N/S	100.0
	Average Per Category	15.8	1.9	3.8	33.3	7.1	7.8
JOB EVALUATION	0-9	0	0	N/S	N/S	0	0
	10-24	7.7	0	33.3	N/S	0	3.4
	25-49	8.0	0	0	0	25.0	4.6
	50-75	50.0	25.0	7.7	N/S	N/S	20.7
	76-199	25.0	0	0	0	N/S	11.1
	200-499	40.0	N/S	N/S	100.0	N/S	50.0
	500+	100.0	N/S	N/S	N/S	N/S	100.0
	Average Per Category	14.6	2.9	7.7	33.3	7.1	8.3

N/S: Not sampled

than 3 out of 10 operations. Again, the sophistication of personnel management practices as indicated by these tools' use increased with the size of establishments. Motels and cabin/bungalow establishments used these techniques the least, while hotels, lodges and motor hotels used them the most frequently.

In evaluating these responses, it is not surprising to find that the lowest usage was evidenced in the smallest size ranges (75 units and less) and in the categories with the narrowest range of facilities (motels and cabin/bungalow establishments). Generally, the larger the organization and the wider the range of facilities and services provided, the greater is the need and value of using these tools. Despite this observation, there is considerable room for improvement in the levels of usage of the three job analysis tools. This is particularly true of the job description, where there is justification for their use in all establishments except those managed and staffed solely by a husband and wife team or family team with no other employees.

2.4 Employment of Various Types of Staff Scheduling

Operators were asked to indicate which of four staff scheduling methods they employed. The normal method is of course that involving the full-time employee who works a specified number of hours between certain times of the day for a specified number of days of the week. The other three methods are termed the irregular, split-shift and part-time methods and are defined in Appendix 3: Glossary. There can be an overlap of these methods, e.g. when part-time employees work on a split-shift basis. The overall usage and the usage

TABLE 5

PERCENTAGES OF ESTABLISHMENTS USING VARIOUS STAFF SCHEDULING METHODS BY SIZE RANGE AND CATEGORY OF ACCOMMODATION

Method	Size Ranges	CATEGORIES Hotel (%)	Motel (%)	Motor Hotel (%)	Lodge (%)	Cabin/ Bungalow(%)	Average Per Size Range(%)
IRREGULAR	0-9	16.7	0	N/S	N/S	33.3	13.6
	10-24	15.4	9.6	0	N/S	0	10.2
	25-49	12.0	6.7	40.0	0	0	10.8
	50-75	50.0	16.7	15.4	N/S	N/S	20.7
	76-199	25.0	0	40.0	0	N/S	22.2
	200-499	60.0	N/S	N/S	0	N/S	50.0
	500+	50.0	N/S	N/S	N/S	N/S	50.0
	Average Per Category	20.7	8.6	23.1	0	7.1	14.3
SPLIT-SHIFT	0-9	8.3	0	N/S	N/S	0	4.5
	10-24	15.4	0	33.3	N/S	0	5.7
	25-49	16.0	6.7	20.0	100.0	25.0	13.8
	50-75	0	8.3	7.7	N/S	N/S	6.9
	76-199	12.5	50.0	20.0	0	N/S	22.2
	200-499	40.0	N/S	N/S	100.0	N/S	50.0
	500+	50.0	N/S	N/S	N/S	N/S	50.0
	Average Per Category	15.9	4.8	15.4	66.7	7.1	10.9
PART-TIME	0-9	25.0	14.3	N/S	N/S	33.3	22.7
	10-24	69.2	63.5	66.7	N/S	57.1	64.8
	25-49	72.0	53.3	60.0	0	25.0	58.5
	50-75	100.0	41.7	76.9	N/S	N/S	65.5
	76-199	62.5	25.0	100.0	100.0	N/S	66.7
	200-499	80.0	N/S	N/S	100.0	N/S	83.3
	500+	100.0	N/S	N/S	N/S	N/S	100.0
	Average Per Category	65.9	53.3	76.9	66.7	42.9	60.0

N/S: Not sampled

by the various size/category combinations are shown in Table 5, opposite page. As would be expected, all establishments utilized the normal method of scheduling and this information is not therefore indicated on the table.

It can be seen that part-time and irregular staff scheduling were the second and third most prominent methods used, primarily by hotels and motor hotels. This situation is understandable since these categories have the widest range of food and beverage facilities and therefore require increased staffing during their busiest times of the day.

3. ACCOUNTING AND CONTROL

The practices that were considered under this heading included those related to the financial management of establishments, comprising the accounting methods used and the techniques of control exercised on operations.

3.1 Utilization of Accommodation Industry Standardized Accounting Systems

There are three major systems of this type in operation in North America, i.e. the Standard Accounting System for the Accommodation Industry (developed by the Canadian Government Office of Tourism), the Uniform System of Accounts for Hotels (developed by the American Hotel & Motel Association) and the Uniform System of Accounts for Motels, Motor Hotels and Small Hotels (also developed by the AH & MA). These systems provide for a standardized classification and presentation of revenues, expenses, assets, liabilities and equity items. Since operations of similar sizes prepare their accounting records in a uniform fashion, this makes possible the comparison of an establishment's results with the industry average statistics for other similar types of establishments. As such, it provides operators with a more effective tool for managing the financial resources of their establishments.

"The advantages of these (standard accounting) systems are many. They guarantee accounting uniformity so operators can compare departmental and total inn performance from period to period and measure their inns' results against others in Canada. They can be used for preparation of forecasts, for budgeting and as an early warning device for any problems. The systems make auditing and preparation of annual statements much easier. And they generally simplify the increasingly complex aspects of inn financial management, allowing innkeepers to make decisions more easily and more precisely."

- Canadian Government Office of Tourism
  The Inn Business (1976)

Approximately 21% of the establishments interviewed were using standard accounting systems. Once more there was a steady increase in the use of these systems as the size of establishment increased, as can be seen from the following chart:

PERCENTAGE OF ESTABLISHMENTS USING STANDARD ACCOUNTING SYSTEMS BY SIZE RANGE AND CATEGORY OF ACCOMMODATION						
	CATEGORIES					
Size Ranges	Hotel (%)	Motel (%)	Motor Hotel (%)	Lodge (%)	Cabin/ Bungalow(%)	Average Per Size Range(%)
0-9	0	0	N/S	N/S	0	0
10-24	10.0	15.4	33.3	N/S	0	12.5
25-49	24.0	6.7	60.0	0	50.0	20.0
50-75	75.0	16.7	46.2	N/S	N/S	37.9
76-199	62.5	0	20.0	100.0	N/S	38.9
200-499	80.0	N/S	N/S	100.0	N/S	83.3
500+	100.0	N/S	N/S	N/S	N/S	100.0
Average Per Category	26.8	11.4	42.3	66.7	14.3	21.3

N/S: Not sampled

Approximately 54% of the establishments with more than 75 units were employing these systems compared to 17% of the establishments with less than this range. Motor hotels and lodges exhibited the highest usage levels, while motels showed the least usage.

Although these statistics indicate a situation far from the ideal, we believe that there are a number of logical reasons why these usage levels are so low. Firstly, since the CANTRAV program was abandoned in late 1975, no truly

representative comparative operating statistics have been produced for establishments in the under 75 units size ranges. While Statistics Canada has produced some operating statistics for this size of establishment, these are of questionable value since they are not published until at least two years after they have been gathered. Furthermore, the Statistics Canada figures are also not presented according to a standard industry accounting method. In summary, there presently is little incentive for small Alberta accommodation operators to change their accounting methods to a standard system since there are no comparable industry average operating statistics available for the province.

On the other hand, through various private sector accommodation statistical programs mentioned earlier, there exists a considerable incentive for establishments in the over 75 units size ranges to use standard systems due to the greater availability of industry comparisons.

On an even more fundamental level, there is a need to provide accommodation operators with more information on the benefits that will accrue from a timely and detailed analysis of financial statements, no matter in what way they are presented. In many cases during our field work, we found that operators placed little value on their financial statements except for reporting to the income tax authorities and therefore, preferred to leave all matters related to them to their accountants. If there is to be any program aimed at improving operators' financial management skills, it must therefore begin at a very basic level and be aimed at increasing operators' understanding of the value of their

financial records/statements. When this information has been transmitted, then the potential for increasing the use of standard systems will be much greater.

3.2 Utilization of Internal Control Systems

An internal control system is composed of four elements, namely control over assets, consumption, revenues and costs. These four elements are defined in Appendix 3: Glossary.

From the responses of those operators interviewed, it was concluded that only 15% had complete internal control systems, 45% had partial systems (covering 1 to 3 of the elements listed above) and the remaining 40% had no system whatsoever.

Revenue and consumption control were the most frequently used elements as can be seen from Table 6, over page. The highest usage of the various elements was made by hotels and motor hotels and by establishments with 75 units and over.

Since it is widely recognized that the operating costs of accommodation establishments have risen quickly in recent years and are expected to continue to do so, it was concluded that the industry could be operated far more efficiently if the four elements above were more tightly controlled by operators.

3.3 Utilization of Other Management Information Tools

Operators were next asked if they used two further management information tools, namely the manager's daily report and the labour analysis.

TABLE 6

PERCENTAGES OF ESTABLISHMENTS USING VARIOUS ELEMENTS OF INTERNAL CONTROL SYSTEMS BY SIZE RANGE AND CATEGORY OF ACCOMMODATION

Element	Size Ranges	CATEGORIES Hotel (%)	Motel (%)	Motor Hotel (%)	Lodge (%)	Cabin/ Bungalow(%)	Average Per Size Range(%)
ASSET CONTROL	0-9	16.7	0	N/S	N/S	0	9.1
	10-24	38.5	13.5	100	N/S	0	22.7
	25-49	36.0	6.7	0	0	25.0	18.5
	50-75	50.0	0	38.5	N/S	N/S	24.1
	76-199	25.0	0	20.0	100.0	N/S	22.2
	200-499	60.0	N/S	N/S	100.0	N/S	66.7
	500+	100.0	N/S	N/S	N/S	N/S	100.0
	Average Per Category	36.6	8.6	34.6	66.7	7.1	22.2
CONSUMPTION CONTROL	0-9	58.3	0	N/S	N/S	0	31.8
	10-24	84.6	7.7	33.3	N/S	14.3	31.8
	25-49	76.0	6.7	100.0	0	25.0	41.5
	50-75	100.0	8.3	53.8	N/S	N/S	24.5
	76-199	75.0	0	100.0	100.0	N/S	66.7
	200-499	100.0	N/S	N/S	100.0	N/S	100.0
	500+	100.0	N/S	N/S	N/S	N/S	100.0
	Average Per Category	79.3	6.7	69.2	66.7	14.3	40.9
REVENUE CONTROL	0-9	50.0	0	N/S	N/S	0	27.3
	10-24	80.8	26.9	33.3	N/S	28.6	73.1
	25-49	76.0	40.0	100.0	0	75.0	60.0
	50-75	100.0	41.7	69.2	N/S	N/S	62.1
	76-199	100.0	0	100.0	100.0	N/S	77.8
	200-499	100.0	N/S	N/S	100.0	N/S	100.0
	500+	100.0	N/S	N/S	N/S	N/S	100.0
	Average Per Category	79.3	29.5	76.9	66.7	35.7	53.5
COST CONTROL	0-9	25.0	0	N/S	N/S	0	13.6
	10-24	30.8	25.0	33.3	N/S	28.6	27.3
	25-49	40.0	10.0	40.0	0	25.0	24.6
	50-75	75.0	16.7	61.5	N/S	N/S	44.8
	76-199	75.0	0	80.0	100.0	N/S	61.1
	200-499	100.0	N/S	N/S	100.0	N/S	100.0
	500+	100.0	N/S	N/S	N/S	N/S	100.0
	Average Per Category	45.1	17.1	57.7	66.7	21.4	32.6

N/S: Not sampled

The manager's daily report is usually limited to one sheet of paper and contains highlighted information on the previous day's sales by department , the occupancy rate, the average room rate, the number of covers served, etc. The labour analysis is prepared less frequently, normally on a weekly or monthly basis, and is aimed at providing statistics on the productivity of the members of staff in the various departments of the establishment. We consider both of these tools to be very basic and applicable in almost all sizes and categories of accommodation establishments, except perhaps for the use of labour analysis in the case of establishments staffed exclusively by a husband and wife and/or single family team.

Of the operators interviewed, 52% indicated that they used manager's reports and 21% that they used labour analyses. The following usage levels were calculated for the various size/category combinations:

PERCENTAGE OF ESTABLISHMENTS USING MANAGERS' REPORTS AND LABOUR ANALYSES BY SIZE RANGE AND CATEGORY OF ACCOMMODATION

Report Analyses	Size Ranges	CATEGORIES Hotel (%)	Motel (%)	Motor Hotel (%)	Lodge (%)	Cabin/ Bungalow(%)	Average Per Size Range(%)
MANAGER'S REPORT	0-9	33.3	0	N/S	N/S	33.3	22.7
	10-24	69.2	23.1	66.7	N/S	0	36.4
	25-49	76.0	46.7	80.0	0	50.0	60.0
	50-75	75.0	75.0	69.2	N/S	N/S	72.4
	76-199	87.5	75.0	80.0	100.0	N/S	83.3
	200-499	100.0	N/S	N/S	100.0	N/S	100.0
	500+	100.0	N/S	N/S	N/S	N/S	100.0
	Average Per Category	70.7	36.2	73.1	66.7	21.4	52.2
LABOUR ANALYSES	0-9	8.3	0	N/S	N/S	0	4.5
	10-24	11.5	3.8	66.7	N/S	0	8.0
	25-49	32.0	16.7	20.0	0	25.0	23.1
	50-75	100.0	33.3	30.8	N/S	N/S	41.4
	76-199	50.0	0	40.0	0	N/S	33.3
	200-499	100.0	N/S	N/S	100.0	N/S	100.0
	500+	100.0	N/S	N/S	N/S	N/S	100.0
	Average Per Category	32.9	10.5	34.6	33.3	7.1	21.3

N/S: Not sampled

"Preventive maintenance is the art of anticipating trouble. Its primary objective is to control and to regulate the timing of maintenance repair, in order to assure the usefulness and increase the life of the hotel/motel plant."

- J.E. Dameron
"Preventive Maintenance: The Art of Anticipating Trouble", in Lodging Magazine (1977)

"Even though work tasks will vary according to the age, size and equipment of varying hotels and motels, all lodging establishments should have maintenance schedules based on the systematic inspection of equipment."

- J.E. Dameron
"Preventive Maintenance: The Art of Anticipating Trouble," in Lodging Magazine (1977)

A very similar pattern emerged as in previous questions, with motels and cabin/bungalow establishments and properties with 75 units and less making the least use of these management tools.

When the responses to the questions on standard accounting systems internal control systems, managers' reports and labour analyses were taken as a whole, it was found that 29% of the operators interviewed used none of the four techniques.

It was concluded, upon taking the responses to the last three questions together, that there is room for vast improvements in the financial management skills of accommodation operators in Alberta.

4. REPAIRS AND MAINTENANCE

The purpose of the questions contained under this heading was to determine the soundness of operators' management practices and policies in the physical upkeep of their establishments. The responses to these questions and the conclusions drawn from them had obvious implications with respect to the maintenance of accommodation standards in the future.

4.1 Utilization of Preventive Maintenance Programs

Preventive maintenance programs provide for the inspection of furnishings, fixtures, equipment, interior and exterior surfaces on a prearranged time schedule. The objective is reduce operating costs by minimizing major repairs and breakdowns. Approximately 43% of the operators interviewed

indicated that they employed preventive maintenance programs of one type or another. The breakdown of the usage of these programs by the various size/category combinations is shown in the following chart:

PERCENTAGE OF ESTABLISHMENTS UTILIZING PREVENTIVE MAINTENANCE PROGRAMS BY SIZE RANGE AND CATEGORY OF ACCOMMODATION						
	CATEGORIES					
Size Ranges	Hotel (%)	Motel (%)	Motor Hotel (%)	Lodge (%)	Cabin/ Bungalow(%)	Average Per Size Range(%)
0-9	33.3	14.3	N/S	N/S	33.3	27.3
10-24	30.8	30.8	33.3	N/S	14.3	29.5
25-49	40.0	30.0	80.0	0	75.0	40.0
50-75	75.0	75.0	53.8	N/S	N/S	65.5
76-199	75.0	25.0	100.0	100.0	N/S	72.2
200-499	100.0	N/S	N/S	100.0	N/S	100.0
500+	100.0	N/S	N/S	N/S	N/S	100.0
Average Per Category	46.3	34.3	65.4	66.7	35.7	42.6

N/S: Not sampled

Approximately 81% of the establishments with over 75 units were found to have preventive maintenance programs compared to 33% of the establishments with 75 units or less. Motor hotels/hotels and lodges made most use of these programs and motels and cabin/bungalow establishments least.

It was concluded that there was considerable need for improvement in this area, particularly in smaller establishments. Higher usage of these programs

would not only help operators minimize their repairs and maintenance costs but would ensure the more effective maintenance of the province's present accommodation plant.

4.2 Repairs and Maintenance Expenditures

Of the operators interviewed, 153 provided their expenditures on repairs and maintenance in 1976. These expenditures totalled approximately $4.42 million. Those establishments with 75 units and over accounted for 80% of the total with expenditures averaging $186,700 per establishment. The remaining establishments with under 75 units had average repairs and maintenance expenditures of $6,500.

The following breakdown of repairs and maintenance expenditures per room by the various size/category combinations was found:

REPAIRS AND MAINTENANCE EXPENDITURES PER ROOM BY SIZE RANGE AND CATEGORY OF ACCOMMODATION

Size Ranges	CATEGORIES: Hotel	Motel	Motor Hotel	Lodge	Cabin/ Bungalow	Average Per Size Range
0-9	$723	$160	$N/S	$N/S	$1,044	$611
10-24	404	234	270	N/S	I/S	289
25-49	269	132	I/S	I/S	I/S	276
50-75	238	216	336	N/S	N/S	267
76-199	483	347	541	I/S	N/S	486
200+	826	N/S	N/S	I/S	N/S	I/S
Average Per Category	$628	$211	$482	$I/S	$498	$534

N/S: Not sampled
I/S : Insufficient sample

The following chart shows the average percentage relationship of repairs and maintenance expenditures to total revenues for various size/category combinations:

PERCENTAGE RELATIONSHIP OF REPAIRS AND MAINTENANCE EXPENDITURES TO TOTAL REVENUES BY SIZE RANGE AND CATEGORY OF ACCOMMODATION

Size Ranges	CATEGORIES					Average Per Size Range(%)
	Hotel (%)	Motel (%)	Motor Hotel (%)	Lodge (%)	Cabin/ Bungalow(%)	
0-9	2.74	4.62	N/S	N/S	10.82	3.73
10-24	2.15	5.65	2.91	N/S	I/S	3.46
25-49	1.78	2.61	1.65	I/S	I/S	1.93
50-75	2.40	4.50	1.94	N/S	N/S	2.54
76-199	4.51	6.35	3.10	I/S	N/S	3.89
200+	10.27	N/S	N/S	I/S	N/S	I/S
Average Per Category	5.96	4.48	2.32	I/S	7.24	5.04

N/S: Not sampled
I/S : Insufficient sample

As was the case with advertising expenditures, the lack of comparative information, especially in the 50 units and under size ranges made it difficult to evaluate these average repairs and maintenance expenditures.

However, it can be stated that those repairs and maintenance expenses per room and as a percentage of total revenue for hotels with 50 units and over, seem to be close to the Canadian average as recorded inthe "Trends in the Hotel Business: International Edition."

Hotel and cabin/bungalow categories spent the most on repairs and maintenance in both expenditure statistics.

4.3 Staff Assignment to Repairs and Maintenance

Operators were asked if they assigned staff solely to this function and, if they did, how many. The following chart summarizes the responses given to this question by the size range of property:

PERCENTAGE OF OPERATORS BY SIZE RANGE ASSIGNING VARIOUS NUMBERS OF STAFF TO REPAIRS AND MAINTENANCE

Size Ranges	Manager/Owner Responsibility(%)	1 Part Time Maintenance Person (%)	1 Full Time Maintenance Person (%)	1½-2 Full Time Maintenance Persons (%)	2½-5 Full Time Maintenance Persons (%)	5+ Full Time Maintenance Persons (%)
0-9	91.0	0.0	4.5	0.0	4.5	0.0
10-24	83.0	1.0	12.5	3.5	0.0	0.0
25-49	69.0	3.0	23.0	5.0	0.0	0.0
50-75	38.0	0.0	34.5	24.0	3.5	0.0
76-199	33.3	0.0	0.0	50.0	16.7	0.0
200+	0.0	0.0	0.0	0.0	37.5	62.5

In reviewing these results, it was concluded that they were very close to what might be expected for the size ranges specified.

4.4 Utilization of Labour Reports for Repair and Maintenance Jobs

In order to determine whether to use in-house staff or to hire an outside company for certain repairs and maintenance jobs, some operators

develop reports that document the time required and the cost of materials involved in doing them internally. This type of "make or buy" decision often leads to considerable economies being made through the selection of the least costly alternative.

Of the operators interviewed, only 9% had used such reports. The majority of these were hotels with more than 75 rooms.

It was concluded that there was considerable scope for increasing the use of this technique in Alberta.

4.5 Frequency of Change of Furniture, Fixtures and Equipment

Operators were asked how often they changed furniture, fixtures and equipment (FF&E). The purpose of this question was to determine if operators had definite replacement schedules for fixed assets or at least if they had clear ideas concerning the life span expectations of various items of furniture, fixtures and equipment.

The most unsophisticated practice in this area is to replace these items only when it becomes necessary, i.e. when they become inoperative, too shabby or broken. Fifty-six per cent of the operators interviewed indicated that they replaced furniture, fixtures and equipment in this way. For those Alberta operators who had designated replacement schedules, they on an average changed furniture, fixtures and equipment every 6½ years. When comparing their various items of furniture, fixtures and equipment (i.e. carpets, drapes, beds, furniture)

to ideal replacement schedules based on life span expectations as documented in The Inn Business, it was found that both were very close in timing.

From this review of renovation/refurbishment practices, it was also felt that there was an increasing need for this technique to be more fully utilized by the accommodation industry in Alberta.

4.6 Losses Due to Pilferage and Vandalism

Operators were asked to provide estimates of the dollar amounts lost in 1976 due to pilferage and vandalism. Of the operators interviewed, 168 (73% response rate) supplied the information with estimated losses totalling $419,000 or approximately $2,500 per establishment.

The average losses by various size/category combinations are shown in the following chart:

AVERAGE 1976 DOLLAR LOSSES DUE TO PILFERAGE AND VANDALISM BY SIZE RANGE AND CATEGORY OF ACCOMMODATION

Size Ranges	CATEGORIES					Average Per Size Range
	Hotel	Motel	Motor Hotel	Lodge	Cabin/ Bungalow	
0-9	$400	$100	$N/S	$N/S	$500	$350
10-24	1,900	900	1,800	N/S	600	1,200
25-49	2,100	1,100	4,000	I/S	I/S	1,800
50-75	3,000	2,700	7,100	N/S	N/S	4,500
76-199	9,000	4,800	2,300	I/S	N/S	5,800
200+	15,800	N/S	N/S	I/S	N/S	17,400
Average Per Category	$3,200	$1,300	$4,800	$I/S	$500	$2,500

N/S: Not sampled
I/S : Insufficient sample

As can be seen, the motor hotel/hotel categories had greater average dollar losses as compared to other types of accommodation, while there was an overall direct correlation between increased size and higher losses.

The majority of materials either stolen or damaged were those made available in guest rooms (e.g. towels, bedding, rugs and water glasses) and in food and beverage facilities (e.g. glasses and silverware).

5. GOVERNMENT ASSISTANCE PROGRAMS

This question was designed to determine the extent to which the 230 establishments interviewed had taken advantage of various federal/provincial financial and technical assistance programs. Various details on those government programs available to the accommodation industry in Alberta are documented in Appendix I.

5.1 Utilization of Financial Assistance Programs

Twenty-seven of the 230 operators interviewed had received financial assistance via a provincial or federal program. The programs utilized were as follows:

PROVINCIAL	
. Alberta Opportunity Company	10
. Alberta Treasury Branch	2
FEDERAL	
. Federal Business Development Bank	15
. Department of Regional Economic Expansion	1
TOTAL	28*

*One establishment received joint-financing from AOC and FBDB.

Another four operators had applied for program assistance but had been unsuccessful with their applications.

With respect to the distribution of this assistance by the size range of establishments, 25 of the 28 mortgages/loans were given to those with 50 units and under. Eighteen of the twenty-five went to motels, six to hotels and the final one to a cabin/bungalow establishment. The remaining three mortgages/loans were to motor hotels with between 50 and 199 units.

5.2 Utilization of Technical Assistance Programs

Only 4 of the 230 operators interviewed had made use of technical assistance programs provided by government, all of which had used the Federal Department of Manpower & Immigration's On-the-Job Training Program. In addition, a majority of operators had used the Department of Manpower & Immigration's Placement Services Program and 6 operators had used the Alberta Hire-A-Student Program.

It was concluded from these low usage levels that accommodation operators in Alberta were not taking full advantage of available government financial and technical assistance programs to the industry. This under-utilization seems reasonable when one considers that most operators interviewed were not aware of this assistance due to lack of publicity and those that were, indicated that they would not likely apply again to such programs, due to unreasonable delays in approval and stringent controls.

PART B

INDUSTRY PROBLEMS AND ISSUES

"It is not so much the shortage of help but the shortage of interested and competent help that poses problems. Long hours and comparatively lower rates of pay do not attract the higher type of people to the service openings in hotels and motels."

- A. L. Winsor
  "Employee Shortages in Hotels and Motels" in Hotel and Restaurant Management: Selected Readings (1971)

"If the seasonal pattern of demand is such as to attract the profitability of investment, every effort must be made by the tourist trade, with appropriate support from the public authorities, to induce additional off-season custom that brings in extra revenue over and above the extra cost of providing services for the visitors."

- United Nations Conference on Trade and Development
  Elements of Tourism Policy in Developing Countries (1973)

"Frequently managers claim they have shown a production increase by some measurement but have really only done so by compromising the quality of or making a change in service. This is not a true increase in productivity but merely a change of standards."

- R. E. Basile
  "Profit from Increased Productivity" in Hotel & Motel Management Magazine (1976)

PART B

INDUSTRY PROBLEMS AND ISSUES

1. DETERMINATION OF INDUSTRY PROBLEMS

Four interested parties (i.e. accommodation operators, accommodation and tourist industry association executives, government officials and other types of accommodation operators) were questioned on whether they felt that the list of problems drawn up at the commencement of this study was complete, or if they would make any deletions and/or additions to it. Having done this, they were then asked to rank the problems they perceived in terms of their need for immediate action. Where certain government departments had an indirect involvement with the accommodation industry, the subject matter discussed in our interviews normally focussed on one particular problem area that came under their jurisdiction. In addition, a fifth party (i.e. financial institution representatives) was consulted and discussion with this group was limited to problems they had experienced in providing financing to the Alberta accommodation industry.

1.1 Problems Perceived by Accommodation Operators

When the list of problems was presented to the 230 accommodation operators in our sample, the following overall ranking resulted:

TABLE 7

IDENTIFICATION OF MAJOR PROBLEMS ACCORDING TO ACCOMMODATION OPERATORS ON A REGIONAL BASIS

(% Operator Response)

PROBLEM	NORTHERN ALBERTA 1		CITY OF EDMONTON 2		CENTRAL ALBERTA 3		BANFF-JASPER NATIONAL PARKS 4		CALGARY AND DISTRICT 5		SOUTHERN ALBERTA 6	
Manpower (macro)	39%	(1)	62%	(1)	44%	(1)	45%	(1)	61%	(1)	32%	(1)
Increasing Costs of Operation (macro)	30	(2)	14	(2)	18	(2)	0		12	(2)	21	(2)
Government Regulation* (macro)	11	(3)	14	(3)	14	(3)	6		6		3	
Seasonality (external)	3		0		2		27	(2)	3		14	
Pricing (macro)	3		5		6		18	(3)	0		21	(3)
Other Problems** (micro)	4		5		6		0		9	(3)	3	
No Problems	7		0		6		4		3		0	
Financing (macro)	3		0		4		0		6		6	
TOTAL	100%		100%		100%		100%		100%		100%	

( ) Ranking

* Included problems concerned with Alberta Liquor Control Board, Parks Canada, Statistics Canada, Alberta Transportation and U.I.C./welfare benefits.

** Included such problems as high property turnover, unrealistic purchase prices of establishments, high price of land, etc.

1 Northern Alberta: 70 respondents
2 City of Edmonton: 21 respondents
3 Central Alberta: 50 respondents
4 Banff-Jasper National Parks: 22 respondents
5 Calgary and District: 33 respondents
6 Southern Alberta: 34 respondents

RANK*	PROBLEM	% RESPONSE OF OPERATORS
1	Manpower	46
2	Increasing Costs of Operations	19
3	Government Regulation	9
4	Seasonality	7
5	Pricing	7
6	Other Problems	5
7	No Problems	4
8	Financing	3
		100%

* This ranking is based on the proportion of operators indicating that a particular problem should have first priority for immediate action.

While there was some variation according to region as seen in Table 7, opposite page in the ranking of the problems from second to eighth priority, the manpower problem ranked first in all regions.

The respondents were further asked to discuss the two or three of the problems to which they gave the highest priority ranking. While the open-endedness of this question did not permit quantitative analysis, it did allow us to gather the consensus of operators' opinions as to the exact nature of each problem and as to its contributing factors.

Manpower

Approximately 100 operators commented upon various aspects of the manpower problem in Alberta's accommodation industry. The consensus of

opinion was that there was a shortage in terms of the quality, rather than the quantity of staff available. The factors that operators felt were contributing to this problem included the following:

- the ready availability and attractiveness of unemployment (U.I.C.) and welfare benefits;

- the poor attitudes of staff, particularly younger staff towards work and service;

- the competition with resource industries and government for employees, especially due to the fact that wage levels tended to be lower in the accommodation industry; and

- the transient nature of many employees.

In relative terms, the manpower problem was found to be of the greatest significance in the Edmonton, Calgary & District and Banff-Jasper National Parks regions and of least significance in Southern Alberta (Table 7).

Many operators indicated that they were unwilling to devote much time and money to training employees since they had experienced such high rates of staff turnover in their operations. As discussed in our review of industry practices and policies, this absence of in-house training and the low utilization of outside training programs are themselves contributing to the high rate of staff

turnover, thereby creating somewhat of a vicious circle. An improvement in training practices would, in our opinion, not only help to increase the quality of employee skills but would also lower rates of staff turnover.

From our experience in the field, we feel that many operators would argue that more training was not the key to solving the manpower problem, but rather that the restriction of U.I.C. and welfare benefits was. At this level, the problem is macro-economic and could only be solved by a change in the Federal Government's policy on these matters.

In certain regions and communities, the manpower problems experienced by accommodation operators had been exacerbated by the availability of much higher wages in the area's other industries. For example, operators in the National Parks stated that the Federal Government was paying higher wages than they were, while in Grande Cache this competition was coming from McIntyre-Porcupine Mines Ltd.

Perhaps the most worrying aspect of this problem is the fact that many operators felt that employees' attitudes were not service-oriented. From our experience in the field, we agree that this is a problem and that some efforts are required to improve the friendliness and courtesy of customer-contact staff.

Increasing Costs of Operation

The rapid increase in operating costs was ranked as the second most important problem in all regions except Banff-Jasper National Parks where

seasonality was considered to be of greater importance. Rising costs were considered to be of greatest relative significance in the Northern Alberta and Southern Alberta regions and of least significance in the Banff-Jasper National Parks and Calgary & District regions.

Certain cost items were isolated by operators as having increased much faster than others. These included the following:

- heat, light and power expenses (utilities);
- property and business taxes;
- wages and salaries;
- laundry costs; and
- costs of using outside tradesmen for repairs and maintenance jobs.

It has been our experience in other Canadian provinces that these expenses have also risen at a faster rate than others, particularly heat, light and power and property/business taxes. Increases in the minimum wage have also caused labour costs to rise sharply and has resulted in one province (i.e. Ontario) introducing the "tip differential" wage for those employees who normally receive gratuities. Very significant increases have also been experienced throughout Canada in the cost of using outside laundry services and this has led to a trend towards in-house laundries.

The majority of accommodation operators indicated that it was becoming increasingly difficult to compensate for these cost escalations by

increasing prices. As will be discussed later, operators have found that customers are already reacting negatively to accommodation, food and beverage price levels. In this respect, several operators highlighted complaints that they had received from U.S. guests and contended that prices for similar services south of the border were 20-30% less than they were in Alberta. Again, this is symptomatic of a problem which we consider to be of national dimensions in Canada.

With the upward spiral of costs and the constraints imposed on prices, operators argued that their profit margins were being eroded. From our review of industry practices it was concluded that current practices might be contributing to a certain amount of inefficiency in operations and, as such, would also be contributing to this erosion of profits. An improvement in certain operating practices would aid in easing this problem.

As to increases in heat, light and power costs, property/business taxes and wages, these are problems that would require action at the provincial and municipal level resulting in changes in certain government policies.

Government Regulation

A variety of problems were mentioned by operators with respect to regulations laid down by the federal, provincial and municipal governments. The vast majority of these concerned the Alberta Liquor Control Board (ALCB) and were expressed by licensees of that Board. The magnitude of the problems

experienced with the ALCB was confirmed in a later question regarding major issues in the industry.

A review of the criticisms expressed regarding ALCB regulations and operations showed that the following five points were brought out most consistently:

- the ALCB is too powerful since operators have no right of appeal on their decisions;
- ALCB inspectors do not have sufficient knowledge of the hospitality industry and of typical operating problems that owners/managers experience;
- there is too great a time lapse between the time that an inspector notes an infraction in an establishment and when the operator is notified of the infraction;
- the industry has no representative on the Board itself; and
- the Board has too much control over the price of beer.

Apart from the frequent complaints regarding U.I.C. and welfare benefits, the criticisms of federal government regulations tended to be centred around Parks Canada's regulations in the National Parks. By and large, these criticisms involved primarily the numerous types and lengths of leases available

and the regulation that operators must accommodate their own staff on-premises or nearby. Due to severe shortages of suitable housing facilities for staff in Jasper, Banff-Lake Louise and Waterton, this latter regulation has presented many operators with serious problems in finding accommodation for staff. Only a few operators mentioned the overburden of completing forms requesting information from various federal (Statistics Canada primarily) and provincial government departments.

Other criticisms of government regulations were on a local scale and concerned such things as highway access signing (Alberta Transportation) and rulings on establishment sewerage systems.

Seasonality

Problems caused by seasonality of demand were understandably of greatest significance in areas outside of the major industrial centres and where there was a higher dependence on pleasure/recreation travel, i.e. mainly in the two regions containing Alberta's three major National Parks (Banff-Jasper and Southern Alberta). This problem was confirmed by the fact that these two regions experienced the greatest fluctuations in seasonal occupancy percentages.

In the remaining four regions, it was concluded that seasonality was of little significance since their greater dependence on the industrial, commercial and other demand sources provided a higher level of stability to occupancy rates.

Pricing

In relative terms, this problem once again was of greatest significance in the Banff-Jasper National Parks and Southern Alberta regions. In this respect, it is interesting to note that the Banff-Jasper region had the highest average room rates in our sample and that the Banff-Jasper and Southern Alberta regions had the highest proportion of accommodation demand from U.S. visitors. Many operators in the Parks indicated that they had received numerous complaints about their prices, particularly from U.S. visitors.

The general theme of operators' comments was that it was becoming increasingly difficult to increase prices when there were significant increases in operating costs. As was discussed earlier, this phenomenon has already attracted attention at the national level since accommodation operators in other Canadian provinces and other tourist industry sectors have also experienced similar problems. Unlike the operators in other provinces, Alberta's operators have been fortunate in that there is no provincial sales tax to add to guests' bills.

Other Problems

A variety of problems mentioned by operators were classified under this heading and included the following:

- the fact that some operators resented being on call 24 hours per day and often found it difficult to take vacations;

- the high rate of property turnovers and the unrealistic purchase prices of establishments;

- the problems experienced with certain types of customers, including pilferage and damage;

- the high price of land and the difficulties this caused in financing expansion plans;

- the lack of tourism promotion in some localities;

- inadequate highway signing of overnight accommodation in some localities; and

- the poor standards of facility upkeep and managerial attitudes in the accommodation industry in Alberta.

While the first problem listed above is one that could be expected before entering the industry, the second has much more serious ramifications for the new operator. Typical of the comments expressed was that many establishments were changing hands at unrealistic prices that were not based upon accurate earnings potentials. While the vendors usually received substantial capital gains from the transaction, if often meant that new owners experienced difficulties in meeting their mortgage payments.

Customer problems mentioned were largely associated with the difficulties of handling intoxicated persons and the theft from guest rooms.

The high price of land had caused several operators to shelve their expansion plans. This problem could not be said to be localized since some operators from all six regions commented upon it.

On the other hand, the problems of inadequate highway signing and tourism promotion that were mentioned tended to be of a local nature. For example, operators in the northwest, central west and southwest Alberta (especially Waterton Lakes) commented that more promotion of tourism was required in their areas. Operators in certain communities (e.g. Fox Creek, Lethbridge, west Edmonton and Drumheller) stated that Alberta Transportation had not made adequate provisions for highway information signs indicating the availability of overnight accommodation in their respective areas.

Finally, some operators commented that standards in the Alberta accommodation industry were low and that considerable improvements were required. They attributed this to several factors including the high rate of entry of new and inexperienced operators into the industry, the interest in capital gains rather than in servicing the public and the lack of sufficient guidelines as to the standards of cleanliness and maintenance required by the travelling public.

Financing

Difficulties experienced in obtaining suitable financing were mentioned more frequently than any one of the "other" problems discussed above. Largely, these problems were limited to operators in the 50 units and under size range and concerned the financing of establishment renovations/expansions. It was felt that interest rates were too high and that, in general, the availability of funds for such purposes was very limited. These two factors were together felt to be inhibiting the upgrading of standards of accommodation in Alberta and especially improvements in smaller accommodation establishments.

Although problems in obtaining financing were mentioned by operators in all six regions, but not as first priority for immediate action, a significantly higher proportion of operators in the Northern and Southern Alberta regions indicated difficulties of this type.

1.2 Problems Perceived by Accommodation and Tourist Industry Association Executives

Table 8, over page identifies and ranks the accommodation industry's major problems as seen by the executives of the Alberta Hotel Association (AHA), the Motel Association of Alberta (MAA), the Travel Industry Association of Alberta (TIAALTA), and by the zone managers of TIAALTA.

When posed with similar questions to those that accommodation operators had been asked, the executives of the AHA and MAA also ranked the manpower problem as the most important in the industry today. They confirmed once again that this was more of a problem of the quality of staff available rather than the quantity. In this respect, both association executives agreed that the Provincial Advisory Committee (PAC) for the Tourism Hospitality Industry had taken or instigated very little action to combat this problem since its inception in 1973.

The AHA Executive attributed the quality of manpower problem to the poor image that the accommodation industry has as an employer, offering lower wages than other industries and often requiring employees to do shift work. In their opinion, this shortage was most acute in unskilled and semi-skilled job

TABLE 8

IDENTIFICATION OF MAJOR PROBLEMS ACCORDING TO ACCOMMODATION AND TOURIST INDUSTRY ASSOCIATION EXECUTIVES

(Ranking of Priority)

RANK / TRADE ASSOCIATION	ALBERTA HOTEL ASSOCIATION (AHA)	MOTEL ASSOCIATION OF ALBERTA (MAA)	TRAVEL INDUSTRY ASSOCIATION OF ALBERTA (TIAALTA)	TIAALTA ZONE MANAGERS
Manpower	1	1	3	1
Increasing Costs of Operation	2	3	1	2
Government Regulation	3	2	4	6
Seasonality	5	6	6	5
Pricing	6	5	2	3
Financing	4	4	5	4

categories. The solutions to the problem lay in the development of more practically-oriented training courses for employees and in creating an awareness of the industry among new high school graduates. They also felt that further improvements in managerial skills would be of some assistance in solving the problem and that this could be achieved by the creation of a hotel school in the province and by an expansion of the AHA management seminar program. The MAA Executive stated that there was a lack of suitable incentives to attract employees into the industry in terms of more challenging opportunities with commensurate wages and salaries.

The executives differed in their ranking of the problem of next importance to manpower. The AHA Executive considered that this was the increasing costs of operation, while the MAA Executive felt that it was the level of government interference in the accommodation industry. The interference referred to was the amount of statistical data being requested regularly by Statistics Canada, Travel Alberta, the Alberta Bureau of Statistics and the Alberta Department of Consumer and Corporate Affairs. It was the MAA Executive's opinion that the operators filing these statistics, which often overlap in their coverage, do not receive any direct benefits from them and are not rewarded for the time and money required to complete the forms in question.

While the AHA Executive felt that increasing costs were causing considerable problems in the industry, they stated that most operators would eventually pass them on to the public without much price resistance. The MAA

Executive ranked increasing costs as the problem of third priority and indicated that these increases had been greatest in heat, light and power expenses, property/business taxes and wages.

Both association executives agreed that financing, pricing and seasonality were of very limited significance.

Reference was made by both associations to the inequities of certain provincial government regulations regarding employment standards and on the regulation of beverage operations. First, it was felt that the Alberta Labour regulations placed very rigid termination requirements on the operator (between 1 and 2 weeks notification according to the employee's period of employment), while the employee could leave without giving the employer any notice. The AHA Executive, while indicating that there had been vast improvements in ALCB regulations and policies over the past years, also felt that this situation could be further improved if the liquor license inspectors were made more aware of accommodation operations, related license infractions to the operator more quickly and that a dual pricing system for beverage facilities were allowed. Finally, the MAA Executive stated that they felt the paid statutory holiday requirement made it unprofitable for operators to remain open on these days. This regulation requires that operators pay employees working on statutory holidays at a rate equal to 2.5 times their normal pay scales.

During the field work portions of this study, the Travel Industry Association of Alberta (TIAALTA) Executive and zone managers were inter-

viewed and were asked, among other things, for their opinions on the most significant problems affecting the accommodation industry.

The TIAALTA Executive placed increasing costs of operation in conjunction with pricing as the most significant problems affecting the accommodation industry in the province. It was mentioned that recent Canadian Government Office of Tourism (CGOT) studies have shown that Alberta had the highest cost of living compared to other Prairie provinces and that if certain accommodation cost increases were to be passed on to guests, then the operator must ensure that guests/tourists receive fair "value" for monies spent.

The manpower and government regulation problems were ranked third and fourth respectively. It was pointed out that the industry needed less government interference and that the trade associations were strong enough to regulate themselves. It was stated that the government could not legislate hospitality due to its very nature of personal service.

The manpower problem emerged once more as the most significant and as having the highest priority according to a consensus of opinions from TIAALTA zone managers. The causes of the current shortage of qualified staff were attributed to the lack of staff training provided by accommodation operators, the lack of prestige in some jobs, the competition from other industries with higher pay scales and the lack of employee incentives provided by operators. The high rates of staff turnover in semi-skilled and unskilled jobs and the lack of customer service orientations were felt to be symptomatic of this problem.

The zone managers ranked increasing costs of operation in second place and like most of the operators interviewed narrowed these down to wages, heat, light and power costs, and property/business taxes.

Pricing was considered to be the third most important problem and financing fourth. Again, the opinion was expressed that prices were being influenced by rapid rises in costs and that some customers were beginning to react negatively to their levels.

The overall view regarding the financing problem was that there was a very limited supply of funds available for both new developments and establishment renovations in the accommodation industry. The two principal government sources, the AOC and the FBDB, were felt to be too conservative in their lending policies with respect to the industry.

The problems ranked in fifth and sixth positions were seasonality and government regulation respectively. Seasonality was considered to be of greatest relative significance in Zone 3 (Big Country), Zone 5 (Battle River Country) and Zone 9 (Jasper National Park). The fairly rapidly changing ownership of establishments in Zones 2 (Gateway), 3 and 5 had led to some problems being encountered in these operations.

As was the case with the accommodation operators, the problems experienced with government regulation were narrowed down to two sources, the ALCB and Parks Canada. The complaints regarding the ALCB revolved around

its having too much control over the accommodation industry, while the complaints about Parks Canada regulations focussed upon the problems that operators had experienced in accommodating staff.

1.3 Problems Perceived by Government Officials

Interviews were carried out with officials from various government departments whose activities impinged directly or indirectly on the accommodation industry. Where these departments had an indirect involvement, the subject matter discussed in our interviews normally focussed on one particular problem area, e.g. in the case of the Alberta Department of Advanced Education and Manpower, the interview was limited to a discussion of the manpower problem in the accommodation industry. Interviews were also carried out with a number of government financial institutions, but the responses received from these were considered along with those of private sector financial institutions in the next sub-section.

Officials from the following departments and branches were interviewed:

- Alberta Department of Business Development and Tourism
  - Research and Analysis Branch
  - Visitor Services Branch
  - Marketing Branch
- Alberta Department of Advanced Education and Manpower
- Alberta Department of the Solicitor General
  - Alberta Liquor Control Board

- Alberta Department of Labour
- Canadian Government Office of Tourism
  - Alberta and N.W.T. Regional Office
- Federal Department of Manpower and Immigration.

Overall, the most significant industry problem emerging from these discussions was again manpower. The causes and symptoms of this problem that were mentioned were similar to those indicated by accommodation operators and industry association executives and could be summarized as follows:

CAUSES
. lack of career opportunities in the industry . low wages relative to other industries . the often poor working conditions . menial tasks . lack of interest in staff training among operators . the poor image and lack of attractiveness of the industry
SYMPTOMS
. a high level of staff turnover, particularly among semi-skilled and unskilled workers . poor management attitudes towards the value of staff training . poor worker/management attitudes towards the service of guests

It was also pointed out that the provincial government had been aware of this problem since early 1973 when various representatives of industry expressed concerns about the situation. Further research and analysis of the

problem led to the creation of the Provincial Advisory Committee for the Tourism Hospitality Industry in the fall of 1974.

Several of the officials also discussed the problems many operators were experiencing with rapidly increasing costs and the upward pressure that these cost increases were exerting on accommodation, food and beverage prices. The economic situation of the province and nation were cited as the main causes of these cost increases and it was pointed out that the tourism cost/price spiral had become a problem of national concern after the summer of 1976 when most provinces of Canada experienced a sharp decline in U.S. tourist arrivals. In fact, a conference involving CGOT, the Travel Industry Association of Canada and various sectorial representatives of the tourism hospitality industry was held in late 1976 in Ottawa with the theme "Is Canada pricing itself out of the competitive tourism market, both as regards domestic travellers as well as a destination for foreign tourists?" It was pointed out that some accommodation operators in certain regions of the province were raising their prices above an acceptable level of recouping cost increases and acquiring a fair profit during special events and the summer season generally. This practice created a bad image for the province as well as for the industry and was felt to be short-sighted on the part of the operator in his endeavour to cater to any repeat patronage.

Some officials also held the opinion that increasing costs were in part caused by operating inefficiencies, e.g. over-staffing, poor energy conservation

practices, etc. and, therefore, that improvements in this area were well within the control of most accommodation operators.

The financing problem was mentioned by some of the government officials interviewed. Some felt that the financial institutions were being too conservative in their approach to lending to the hospitality industry. Also mentioned was the observation that many accommodation operators/developers make very unprofessional presentations of their projects to lenders.

The problem of seasonality was commented on briefly as a fact of life to be accepted by the accommodation operator in Alberta.

The Alberta Liquor Control Board (ALCB), which was perceived by accommodation operators as the major area of concern in government regulatory practices, had the opportunity to comment on problems in the accommodation industry as perceived from their role as liquor licensor. The ALCB felt the majority of its licensees were very cooperative when it came to correcting any infractions of the Liquor Control Act. The only problems that seemed to arise more frequently with operator/licensees were of two different natures:

(1) Fundamental - some operators continue to feel that a license is a right, not a privilege and with this viewpoint, it is inevitable that problems will occur;

(2) Practical - some operators continue to over-serve patrons causing drunkenness and disorderly conduct.

The ALCB has two major objectives (public support attained from the 1973 Ghitter Report - Report of the Committee on Beverage Alcohol Legislation to the Attorney General of Alberta) which are to control drunkenness and fighting (primary) and maintain high standards of cleanliness (secondary) in licensees' establishments. The onus of satisfying these two objectives is on the individual operator/licensee. If he shrugs his responsibility in these areas, it is understandable that his license would be revoked.

1.4 Problems Perceived by Financial Institutions

The scope of our discussions with financial institutions was limited to problems they had experienced in providing financing to the accommodation industry. Those institutions interviewed were asked to separate their comments into problems with construction/development loans (i.e. short-term and interim financing) and with long-term loans/mortgages. In both cases, the opinions received were of a very consistent nature indicating a strong consensus of opinions on the major problems experienced in financing accommodation industry developments.

Unsatisfactory management of operations was mentioned by all responding institutions as the reason behind the failure of accommodation establishments to satisfy the debt service requirements on long-term mortgages/loans. Although most institutions held the opinion that the industry was very susceptible to sudden changes in economic climate, they felt that good

"The lack of interest shown by institutions seems to be borne of a pessimistic outlook for the industry as a whole. It is seen as a highly volatile industry susceptible to general economic swings which have a more violent impact on the industry than many others during such highs and lows in economic activity. Management within the industry is suspect and this suspicion does not exclude the management of the larger hotel companies. In particular, Canadian institutions continue to be wary of escalating construction costs in the industry and construction cost forecasts by prospective developers or operators."

- Pannell Kerr Forster & Associates
  "Attracting Investment: A Discussion of Several Facets of Financing the Hospitality Industry" (May 1977)
  Paper presented to the Federal-Provincial Conference on Tourism Development.

accommodation management teams were able to adapt to changing situations while maintaining the profitability of their establishments. Approximately 50% indicated that problems had occurred because the mortgagees had not carried out sufficiently detailed analysis of the potential markets for their projects. Also in this respect, some noted the tendency for mortgagees to be over-optimistic in their market forecasts.

With construction/development financing, almost all respondents stated that the problem most frequently arising was that substantial cost overruns were experienced. These overruns were attributed to inadequate forecasts of project capital costs, the absence of firm estimates from contractors and to the fact that owners often changed their minds midstream as to the quality of interior design features. Twenty-five per cent of the institutions also stated that problems had arisen because of the mortgagees' failure to secure long-term mortgage commitments.

On an even broader scale, there appeared to be a somewhat negative attitude on the part of some institutions to providing financing in the accommodation industry. Of the 60 institutions interviewed, only 22 had provided financing to the accommodation industry. The majority of the remaining 38 institutions stated that they felt the accommodation business was very risky and that, if they gave commercial mortgages, they preferred to fund other types of real estate development that were not as purpose-designed as accommodation. This confirms the main conclusion of a research study of financial institutions' attitudes towards financing in the hospitality industry that was carried out in Ontario in early 1977, which read as follows:

> "Both large and small lenders seem to have mixed attitudes toward granting financing to the hospitality industry. Many feel that there is a sufficient market for placement of their funds in more stable investments such as residential and commercial real estate."[1]

Despite the mixture of attitudes towards financing in the hospitality industry, it was concluded that there appears to be sufficient funds available for new accommodation developments in Alberta provided that applicants can provide evidence of the viability of the project. However, funds for establishment expansions and renovations were found to be in more limited supply.

Details on the sixty private and public financial institutions and government departments interviewed appears in Appendix I: Private/Public Financial Institutions and Government Incentive Programs.

1.5 Problems Perceived by Other Accommodation Operators

Table 9 opposite page identifies the major problems that are affecting Alberta's other categories of fixed accommodation, i.e., guest/tourist homes, youth hostels, YMCA/YWCAs, vacation farms/dude ranches and hunting/fishing and trail riding outfitters.

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[1] "Attracting Investment: A Discussion of Several Facets of Financing the Hospitality Industry" by Pannell Kerr Forster & Associates; Paper presented to the Federal-Provincial Conference on Tourism Development, Toronto, Ontario, May 1977.

TABLE 9

IDENTIFICATION OF MAJOR PROBLEMS AFFECTING OTHER FIXED ACCOMMODATION CATEGORIES IN ALBERTA

Guest/Tourist Homes	Youth Hostels	YMCA/YWCAs	Vacation Farms/ Dude Ranches	Hunting/Fishing & Trail Riding Outfitters
. Increasing Costs of Operation	. Financing	. Increasing Costs of Operation	. Association Membership	. Association Membership
. Marketing (public unawareness)		. Financing	. Facility Standards	. Facility Standards
			. Marketing	. Marketing
			. Financing	. Lease Permit Renewals
			. Manpower	. Business Practices (including hosting)
			. Increasing Costs of Operation	. Outfitter/Hiker Conflict

Guest/Tourist Homes

From our interviews with guest home operators, it was ascertained that this category of accommodation suffered from two main problems - increasing costs of operation and the lack of knowledge among the travelling public as to the availability of this type of accommodation. Rising costs of operation were attributed primarily to increases in utility expenses and in the costs of replacing linens and soap. It was also felt that government authorities (i.e. Travel Alberta) should endeavour to promote guest homes more as a personal tourist accommodation experience ('bed and breakfast'), rather than allowing this type of accommodation to function primarily as overflow capacity for the other five main accommodation categories. It is interesting to note that the majority of guest homes interviewed had, at one time or another, used travel agents in selling their properties.

Youth Hostels

From our interview with the administrative director of Hostel Alberta (which has been renamed the Alberta Hostelling Association, amalgamating the Canadian Hostelling Association - Mountain Region, the Canadian Hostelling Association-Northwest Region and the Alberta Hostels Society), it was found that this category of accommodation required further capital investment from government in order to achieve its proposed expansion plans and to provide for more effective administration.

As a low cost and rustic type of accommodation, hostels have in recent years become more appealing to families and the youth market (transient

as well as pre-planned school/teacher chaperon excursions), both of foreign and domestic origin.

Since 1974, Hostel Alberta has received $150,000 annually for capital investment from the Alberta Department of Recreation, Parks and Wildlife as part of a five year program of upgrading and developing new hostels. In addition, the same provincial government department provides $20,000 per year for partial administrative support, while the Federal Department of the Secretary of State through its Hostel Program ear-marks approximately $70,000 annually for summer hostel operations in Alberta. Hostels in Alberta are one of only two provinces in Canada which have received any financial assistance from its respective provincial government. The Province of Quebec which has its own system of seven hostels provides $700,000 annually for capital investment and administration.

Despite the Government of Alberta's aid to provincial hostels, it was pointed out that the current program would expire in two years and that funding to date was only barely sufficient for operating an effective system of youth hostels in the province.

YMCA/YWCA

From the interviews with the directors of Alberta's four YMCA/YWCAs which provide overnight accommodation, it was found that this type of accommodation had problems in the areas of financing and coping with

increased costs of operation. As with guest homes, YMCA/YWCAs had experienced substantial cost increases in utilities and guest room supplies. The majority of YMCA/YWCAs had either shelved or reduced their room expansion plans because of the lack of sufficient funding from either government and/or private charitable organizations. Currently, this category of accommodation has a very high occupancy due to its low prices (non-profit organization), the number of transients travelling to Alberta to seek jobs and the shortage of affordable housing and apartments in Edmonton and Calgary.

Vacation Farms/Dude Ranches

From our interviews with the manager of the Alberta Country Vacations Association and provincial government officials directly or indirectly involved with this type of accommodation, it was found that vacation farms/dude ranches have encountered a wide range of interrelated problems - a weak association structure, low facility standards, a lack of marketing expertise, an absence of suitable financing for renovation and upgrading, insufficient manpower and increasing costs of operation.

Originally set up by the Alberta Department of Agriculture to enable marginal farms and ranches to earn extra income, this category of accommodation has good tourism possibilities if a core group of quality establishments is developed and shown to be profitable so that other borderline properties will follow.

Suffice it to say, that this type of accommodation will never achieve its full potential until it solves its present trade association organizational problems, achieve higher facility standards and diversify its present plant to include additional recreational activities. Only then can vacation farms/dude ranches be more seriously marketed by its association and/or government to prospective visitors without expectations of customer dissatisfaction.

Hunting/Fishing & Trail Riding Outfitters

This type of accommodation is also faced with many interrelated problems that are almost identical to the vacation farm/dude ranch category - a weak association structure (Alberta Outfitters Association representing the trail riders and the Resort and Campground Managers' Association which has some members that can be rightfully classified as hunting/fishing outfitters), low facility standards, a lack of marketing expertise, uncertainty in renewal of one year lease permits and improvement in business practices/hosting.

Of primary importance for the success of this accommodation type is the required improvement in the calibre of present facility standards (usually of cabin or lodge structure) and the stability achieved in acquiring longer lease permits, especially in the case of trail riders who do not know if they will use the same area for their activities as the year before.

Most outfitters are hunting-oriented, so it is incumbent upon government authorities, if they wish to develop this rustic recreational

experience, to demonstrate conclusive proof to operators that catering to tourists will be financially beneficial. However, before this type of accommodation/vacation can be marketed seriously, outfitters will have to take similar steps as those proposed for vacation farms/dude ranches in order to achieve its full potential.

2. DETERMINATION OF INDUSTRY ISSUES

2.1 Opinions of Accommodation Operators

Accommodation operators interviewed were asked for their opinions on four issues identified at the beginning of the study, and were also asked to define and discuss any other important issue that they felt could have an effect on the accommodation industry. The four issues which we considered to be of some importance were as follows:

- labour relations/unions;
- establishment of an industry standards or rating system;
- regulatory/legislative factors; and
- effect of size on efficiency and profitability.

Other issues mentioned by operators interviewed included the following:

- construction costs;
- energy conservation and rising energy costs;
- government campgrounds;
- inflation rates;
- interest rates and government financial institutions;
- licensing of staff (waiters and tapmen);

- need for a "black list" of undesirable staff and customers;
- referral group for small establishments;
- staff attitudes;
- tourism ministerial portfolio; and
- Travel Alberta's projects and tourism marketing.

In reviewing this list of issues, it can be seen that there was a certain amount of overlap between these responses and the responses received to the question on industry problems.

Labour Relations/Unions

Almost the entire sample of operators interviewed felt that unionization was not necessary in the accommodation industry. Only 1% had encountered or were encountering any problems with unions, being limited mainly to large city hotels.

A large number of respondents pointed to the difficulties that many hotel operators had experienced with labour unions in British Columbia as being indicative of the problems that unionization would bring to Alberta's accommodation industry. It was also felt that the small scale of most operations, the fragmentation of the industry and the high staff turnover rates did not make the Alberta accommodation industry a fertile area for unionization. Perhaps the most interesting and revealing point of view that a significant number of operators held was that unions were not necessary in establishments that were well-managed and where management showed a real concern for their employees.

Establishment of an Industry Standards or Rating System

This issue was included since there appeared to be an international and national trend towards the establishment of minimum standards for accommodation facilities, which are normally incorporated in rating (or grading) systems. In Canada, three provinces currently have accommodation rating systems (Saskatchewan, Manitoba and Quebec) and one other province (Ontario) is seriously considering the implementation of such a system. Further, it has been the experience in other countries and provinces that these systems have stimulated industry improvements and, at the same time, provided operators and governments with an important marketing tool.

When operators were asked to indicate their agreement or disagreement in principle with a rating system, the responses were as follows:

AGREEMENT OR DISAGREEMENT IN PRINCIPLE WITH IDEA OF A RATING SYSTEM	%
In favour of the idea	63
Against the idea	23
No definite opinion	14
TOTAL	100%

Certain variations of opinion were noticed according to the region of the province and the category of accommodation as can be seen from Table 10, opposite page.

TABLE 10

AGREEMENT OR DISAGREEMENT WITH RATING SYSTEM BY REGION AND CATEGORY OF ACCOMMODATION

Region/Category	In Favour	Against	No Definite Opinion
	%	%	%
Region:			
Northern Alberta	77	16	7
Edmonton	71	29	--
Central Alberta	68	20	12
Banff - Jasper National Parks	55	36	9
Calgary	34	24	42
Southern Alberta	56	29	15
Category Of Accommodation:			
Hotel	62	21	17
Motel	64	26	10
Motor Hotel	66	15	19
Lodge	67	33	--
Cabin/Bungalow	57	29	14
All Establishments (230)	63%	23%	14%

From these responses, it was concluded that there was a considerable measure of support among the operators interviewed towards the concept of a rating system with only slightly less than 25% of the operators being definitely against the idea. Another 14% of the operators would require further information concerning the details of such a system, before they could reach an opinion in either direction. It is interesting to note that the results of the survey of accommodation operators' views on grading which was included in the Ontario Grading Feasibility Study[1] was remarkably close to those opinions held by Alberta operators. In the Ontario survey, 61% of accommodation operators were in favour of a grading system, while 18% were not with the remaining 21% having no definite opinion or answer.

Regulatory/Legislative Factors

One hundred of the 230 operators interviewed discussed regulatory/legislative factors as issues of importance to them. The remaining 130 operators (i.e. 57% of our sample) indicated that they had no definite opinions on the subject or had experienced no problems in the area of current and past legislation/ regulations.

Fifty-six of the 100 operators discussing the issue made reference to ALCB regulations (a figure equal to 24% of our entire sample). All of these comments were made by the operators of hotels and motor hotels and it was concluded therefore that 52% of all the hotels and motor hotels interviewed had

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[1] Ontario Ministry of Industry and Tourism, Grading Feasibility Study; Prepared by Pannell Kerr Forster & Associates, July 1977.

some complaints about ALCB regulations. By and large, these comments and criticisms regarding ALCB paralleled those mentioned in sub-section 1.1 (Problems Perceived by Accommodation Operators) and can be summarized in the following list:

- the absence of an appeals procedure on ALCB decisions;
- the lack of direct representation from hotels and motor hotels on the ALCB;
- the lack of knowledge on the part of ALCB inspectors about the operating problems of hoteliers;
- the absolute power of the ALCB and the arbitrary fashion in which it is exercised;
- the dislike of the use of under-cover agents by the ALCB;
- the desire for increased opening hours on weekends; and
- the lack of an appreciation on the part of ALCB of the costs of renovations necessitated by their decisions.

In summarizing these comments about the ALCB, it was concluded that the two underlying themes were that the Board was too powerful and that its employees had insufficient knowledge of hotel/motor hotel operations.

The remaining 44 operators discussing the legislation/regulations issue mentioned a wide variety of government departments and their regulations. Listed below are each of these departments/branches and the number of operators mentioning them:

. Alberta Labour Department - minimum wage regulations	(4)
. Federal Department of Manpower and Immigration - U.I.C.	(3)
. Alberta Health Department	(6)
. Statistics Canada/Other Government Statistical Agencies	(2)
. Alberta Transportation	(2)
. Revenue Canada - corporation taxes	(4)
. Parks Canada	(9)
. Provincial Building Standards Branch	(3)
. RCMP	(3)
. General Government Interference/ Unnecessary Legislation	(8)
TOTAL	(44)

The most significant of these comments regarded Parks Canada regulations and were brought out by operators in the Banff/Lake Louise and Jasper areas. Generally the criticisms centred around the strict regulations on expansions and on the provision of accommodation for staff.

Effects of Size on Efficiency and Profitability

It is fair to say that the comments received on this issue presented a

very confused picture on the effects of size on the efficiency and profitability of operations.

The majority of operators interviewed (i.e. 152) held no definite opinion on this question, but felt that smaller operators usually had developed a market niche for themselves and would survive because they provided the personal touch demanded by their guests.

The comments of the remaining 78 operators can be summarized as follows:

. there is no correlation between size and efficiency/profitability	(22)
. increased size does not mean increased efficiency	(9)
. increased size does not mean increased profitability	(4)
. efficiency and profitability are due to management only	(5)
. efficiency and profitability are due to location	(2)
. increased size means increased efficiency	(25)
. increased size means increased profitability	(11)
TOTAL	(78)

The only tentative conclusion that can be drawn from the above figures was that of those operators (i.e. 71) offering a definite opinion as to whether size affected the efficiency and profitability of an operation, the majority (i.e. 36) felt that increased size was directly related to increased efficiency and profitability.

Other Issues

Of the eleven other issues mentioned by accommodation operators, as documented at the beginning of this sub-section, four tended to be more recurring than the others (i.e. construction costs, government campgrounds,interest rates/ government financial institutions and Travel Alberta's current marketing program).

Operators viewed rising construction costs as the major reason why many individual property expansions and renovation/upgrading programs had been shelved. It was felt that better design techniques/configurations and cheaper materials would aid in this respect if such information was available to operators in the industry.

Operators' comments on government campgrounds were made very clear. They felt that governments at all levels should stop building campgrounds and that existing public campgrounds should charge entrance fees so that private campgrounds could more effectively compete.

A number of operators underlined the fact that current interest rates on private financial institution mortgages/loans were too high and that if

government was desirous in seeing the industry physically upgrading itself, it was a prerequisite that cheaper funds must come from another source, i.e. government financial institutions.

Travel Alberta's activities, especially in the marketing field were commented upon briefly as being adequate and helpful, but that promotion of other areas in the province than Banff-Jasper National Parks was needed.

2.2 Opinions of Accommodation and Tourist Industry Association Executives

As was done in the accommodation operator interviews, industry association executives were also asked for their opinions on the four issues isolated at the commencement of this study (i.e. labour relations/unions, establishment of an industry standards or rating system, regulatory/legislative factors and the effect of size on efficiency and profitability). No other issues were commented upon by these association executives.

Labour Relations/Unions

Both Executives of the AHA and MAA felt that unionization was not necessary in the accommodation industry. They based their reasoning on the existence of current union problems in British Columbia's hotel industry, the small size of most operations (in particular, motels) and the transient nature of staff which made it unlikely that unions would make significant inroads into Alberta's accommodation industry.

Establishment of an Industry Standards or Rating System

The Executives of the AHA, MAA and TIAALTA were found not to be

in favour of a grading system being implemented for Alberta's accommodation industry. Overall, it was felt that such a system could not be fairly developed or administered so that all accommodation properties would be compared with only those properties with similar facilities and services.

Regulatory/Legislative Factors

Executives of the AHA and MAA repeated two major areas of concern under this issue which were discussed earlier under problems. The AHA Executive suggested that further improvements in ALCB regulations and policies were needed. These proposed improvements have been documented previously in sub-section 1.2 (Problems Perceived by Accommodation and Tourist Industry Association Executives). The MAA Executive felt that too many government bodies were requesting statistical data on the industry and that operators received very little direct benefit from filling out the questionnaire forms. Both Executives remarked on the province's labour laws which seemed to them to discriminate against employers, especially with respect to employee termination requirements and statutory holiday pay scales.

Effects of Size on Efficiency and Profitability

The AHA and MAA Executives both felt that larger establishments obtained more efficiencies and subsequently more profitability through the achievement of economies of scale in the division of labour and through bulk purchases of accommodation products and supplies. However, this apparent correlation was qualified by the opinion that, after a certain size, an

accommodation property could lose its personal touch and hospitality, and possibly enjoy less repeat patronage with its attendant effects on sales.

2.3 Opinions of Government Officials

As was the case with accommodation operators and their respective trade association executives, seven government officials (i.e. primarily those with positions in the Alberta Department of Business Development and Tourism) were asked to comment on their views of the four issues identified by the consulting team.

Labour Relations/Unions

All government officials interviewed believed that unionization was not required in the accommodation industry. However, some mentioned that there was a great need for improvements in employer-employee relations. It was felt that present accommodation operators should communicate more often with their staff in order to imbue a sense of purpose in their employment, to harmonize the firm's goals with those of the employee and to create possibilities for career development.

Establishment of an Industry Standards or Rating System

The majority of government officials interviewed were in favour of a grading system being carried out for Alberta's accommodation industry. Most felt that a fair system could be devised and administered which would provide direct benefits to visitors, accommodation operators and government.

Suggested benefits included a more complete inventory of the province's accommodation plant that would permit the industry and government to market it more effectively and its role as a catalyst to industry improvement.

Regulatory/Legislative Factors

The only comments on this issue were that there was possibly more room for improvements in ALCB regulations and policies. Also it was felt that government requests for statistical information from accommodation operators should emanate from only a few sources and should not overlap in the type of information requested.

Effects of Size on Efficiency and Profitability

No clear consensus was reached on this issue other than it was tentatively assumed that larger properties had better prospects for increased efficiency and accompanying higher profits.

3. SOLUTIONS SUGGESTED BY INDUSTRY AND GOVERNMENT

3.1 Recommendations Of Accommodation Operators

The operators interviewed were asked to suggest what action could be taken by the individual operator, the accommodation/tourist trade associations and the provincial government to alleviate or solve the industry problems they had described. A total of approximately 180 suggested solutions were received in response to this question.

The five problems most frequently discussed by operators responding to this question were manpower and manpower training (36 suggestions), ALCB

(31), U.I.C./welfare programs (25), financing (15) and promotion (10). The details of the suggestions on these five problems are shown in Table 11, over page.

In summarizing these suggestions, it is quite clear that most operators felt that there was a need for joint industry - government action to combat major accommodation industry problems. The recommendations that appeared most frequently and most forceably were as follows:

- to increase the number and quality of training courses/ seminars for accommodation management and skilled staff;

- to make the ALCB more responsive to the hotel industry by providing for direct representation of the industry on the Board and by educating ALCB inspectors on the problems encountered in hotel operations;

- to exercise greater control over the use of U.I.C. and welfare benefits;

- to encourage the provision of sources of funds on more reasonable terms for accommodation developments and particularly for the upgrading of existing facilities; and

- to encourage more off-season and special interest travel in Alberta and to provide for greater promotion of areas outside of Banff-Jasper National Parks.

TABLE 11

SOLUTIONS TO MAJOR INDUSTRY PROBLEMS RECOMMENDED BY ACCOMMODATION OPERATORS

PROBLEM	ROLE OF INDIVIDUAL OPERATOR	ROLE OF ACCOMMODATION ASSOCIATIONS	ROLE OF GOVERNMENT
Manpower and Manpower Training	. to increase the use of in-house and outside training programs	. to urge for the establishment of a hotel school	. to encourage the development of managerial and skills training programs
	. to generally improve staff attitudes	. to stage more managerially-oriented courses including courses on how to increase efficiency	. to assist operators and associations in changing staff attitudes
		. to produce training manuals, films and possibly a mobile training trailer	. to produce job descriptions for positions within the accommodation facilities
		. to assist operators in changing staff attitudes	. to assist the associations in developing training manuals/films
ALCB	. to press for the modernization of ALCB operations	. to press ALCB for a complete de-regulation of beer prices	. to educate ALCB inspectors of various aspects/problems of hotel operations
	. to support an increase in the drinking age to 21	. to advocate a change in the Liquor Control Act which would introduce stiffer fines for under-age drinkers	. to provide for hotel industry representation on the ALCB
	. to convince the Provincial Government to make ALCB more responsive to the hotel industry		. to introduce a completely free marketing system for beverage prices
			. to raise the drinking age to 21
			. to allow the accommodation industry to purchase alcoholic beverages at wholesale prices

TABLE 11 (continued)

SOLUTIONS TO MAJOR INDUSTRY PROBLEMS RECOMMENDED BY ACCOMMODATION OPERATORS

PROBLEM	ROLE OF INDIVIDUAL OPERATOR	ROLE OF ACCOMMODATION ASSOCIATIONS	ROLE OF GOVERNMENT
U.I.C./Welfare	. to urge government to reform present U.I.C. policies and welfare programs	. to urge government for stricter controls on the use of U.I.C. and welfare benefits	. to restrict the use of and apply more stringent controls on U.I.C. and welfare benefits
Financing	. no recommendations	. to encourage financing decisions to be made in Alberta, not elsewhere	. to provide new programs of financial and fiscal assistance to encourage the upgrading of existing facilities and the development of new facilities, e.g. lower interest loans, longer amortization periods, etc.
		. to take a stronger stand on the availability of funds for new accommodation developments and for expansions/renovations of existing establishments	. to encourage developers to make a thorough evaluation of their projects before applying for financing
		. to encourage developers to make a thorough evaluation of their projects before applying for financing	
Marketing/ Promotion	. to promote more activity in the off-seasons (i.e. outside of summer).	. to promote more activity in the off-seasons	. to undertake special marketing efforts to boost off-season travel, e.g. by encouraging more tour /travel trade and convention business
			. to undertake a higher level of promotion of areas outside of Banff - Jasper National Parks

A total of 26 other recommendations were made by the accommodation operators interviewed with each individual recommendation being mentioned slightly less than three times on the average. The most significant of these recommendations were that the provincial government should exercise greater control over prices (particularly of utilities) and wages. The remaining recommendations were, in our opinion, mentioned too infrequently to be considered of any significance.

3.2 Recommendations of Accommodation and Tourist Industry Association Executives

In many ways the recommendations made by these Executives paralleled those of the accommodation operators interviewed during this study. Furthermore, we consider that the main recommendations of the various Executives were similar enough to allow us to express a consensus of their opinions rather than their individual suggestions.

The main recommendations were as follows:

- to develop more training programs/seminars for accommodation management and staff;
- to create a hotel school in Alberta;
- to develop training programs for ALCB inspectors in order to make them more aware of accommodation operations;

- to encourage the provision of sources of funds on more advantageous terms for new accommodation developments and for establishment expansions/improvements; and

- to create an awareness of the accommodation industry among high school graduates.

Although other problems were discussed by the association executives, no specific solutions were suggested.

3.3 Recommendations of Government Officials

Officials from various federal and provincial government departments provided their suggested solutions to some of the accommodation industry's major problems. Their recommendations have been presented in Table 12, over page.

The consensus of opinions of government officials was that government would act as a facilitator in solving the accommodation industry's key problems, but that the industry itself (i.e. operators and their respective trade associations) would have to demonstrate a need for certain action(s) on problems by government before it would assist. In this regard, an "open door" policy was advocated on any outstanding problems that the industry wished to discuss.

TABLE 12

SOLUTIONS TO MAJOR INDUSTRY PROBLEMS RECOMMENDED BY GOVERNMENT OFFICIALS

PROBLEM	ROLE OF INDIVIDUAL OPERATOR	ROLE OF ACCOMMODATION ASSOCIATIONS	ROLE OF GOVERNMENT
Manpower and Manpower Training	. improvement of management attitudes towards the value of staff training and towards the service of guests	. Provincial Advisory Committee for Tourism/Hospitality Industry (PAC) participation	. facilitator in coordinating and providing training program funding
	. increase employee wage scales in order to be competitive with other industries	. testing of rural training centre concept (PAC)	. PAC involvement (review of current training systems & Alberta's technical colleges, inventory of private sector in-house training/employee incentive programs)
		. continuance & expansion of association's management/staff hospitality seminars	. TIAALTA zone manager assistance
		. testing of George Brown's Indecore/Dacum system (PAC)	. hospitality awareness program
		. onus on associations to prove that there is a need for more hospitality manpower training	
ALCB	. acceptance of liquor license as a privilege, not a right	. maintenance of communication between AHA and ALCB	. better liaison between ALCB and its licensees/trade associations
	. responsibility of licensee to not over-serve patrons to avoid drunkenness and fighting		. provision of ample warning to licensee of any impeding action by Board

TABLE 12 (continued)

SOLUTIONS TO MAJOR INDUSTRY PROBLEMS RECOMMENDED BY GOVERNMENT OFFICIALS

PROBLEM	ROLE OF INDIVIDUAL OPERATOR	ROLE OF ACCOMMODATION ASSOCIATIONS	ROLE OF GOVERNMENT
ALCB	. maintenance of high standards of cleanliness in licensed premises		. immediate notification to licensees of any liquor license infractions . additional training for ALCB inspectors . implementation of free marketing concept for beverage prices . improvement of counselling to licensees
Increasing Costs of Operation/ Pricing	. implementation of internal control systems to decrease/maintain current costs . maintenance of price levels during special events/summer season to counteract bad image and cater to repeat patronage	. associations to relate to members that over-pricing in the long run will be detrimental to industry	. further tourism promotion in off-season
Financing	. make more professional presentations for proposed accommodation development projects to lenders	. encourage existing and prospective members to make a thorough evaluation of their projects before applying for financing	. consideration in providing cheaper funds to accommodation industry, primarily for renovations/upgrading
Seasonality	. diversification of accommodation plant . promotion of off-season business	. encourage members to promote in the off-season and cater to other guest market segments	. further off-season promotion . development of tourism destination areas

3.4 Recommendations of Financial Institutions

One of the questions asked of the financial institutions interviewed was what advice they would give to future borrowers of funds for accommodation developments. In analyzing the responses received, it became clear that these suggestions closely correlated to the typical problems the lenders had experienced in providing loans/mortgages to the accommodation industry, i.e. unsatisfactory management of operations, inadequate forecasts of the capital costs of projects, the lack of in-depth market analysis and insufficient projections of cash flows.

In essence, the recommendations that followed pointed towards the need for more detailed analyses of projects prior to loan/mortgage applications and generally, towards the need for a more professional approach by developers/operators to potential lenders.

The specific recommendations are listed below:

- borrowers should carry out a thorough and objective market analysis prior to approaching a lender;
- borrowers should have firm development cost estimates included in a project capital budget prior to approaching a lender;
- borrowers should prepare cash flow forecasts prior to approaching a lender;

- borrowers should have an adequate background, ideally a combination of theoretical training and practical experience in the accommodation industry;

- borrowers should develop a detailed background statement of their companies, including management resumes, past performance, future goals, etc;

- developers/operators receiving funds should maintain accurate and reliable financial records and reporting procedures; and

- developers/operators receiving funds should maintain close control over their operations during the terms of their loans/mortgages.

In the context of the past problems experienced by several financial institutions due to the unsatisfactory management of accommodation operations, the conclusion was drawn that these financial institutions would look favourably upon the development of management training programs for operators and the participation of potential borrowers in these programs.

Finally, their recommendations pointed towards the need for industry and government to formulate useful guidelines for potential accommodation developers in their applications for loans/mortgages.

3.5 Recommendations of Other Accommodation Operators

Overall, the various operators and/or representatives of the other types of accommodation available in Alberta (i.e. guest/tourist homes, youth hostels, YMCA/YWCAs, vacation farms/dude ranches and hunting/fishing and trail riding outfitters) felt that substantial government assistance of both a financial and technical nature would be required before their respective categories of accommodation could be developed properly.

Their specific recommendations on suggested solutions to each category's major problem(s) have been summarized in Table 13, opposite page.

In general, it was our conclusion that the majority of these types of other accommodation facilities will have to be upgraded first before they can be marketed successfully with any hope of generating increased patronage.

4. REVIEW OF IMPORTANT INDUSTRY TRENDS

Important industry trends were gathered from our interviews with the five parties previously mentioned in this volume and from our own experience with the accommodation industry. Figure 2, on page B - 55 displays the most significant external and internal trends affecting the accommodation industry in Alberta. The majority of these trends are positive in nature and bode well for the long run health of the industry. However, there are a few trends that have negative implications and unless they are counteracted, problems are likely to evolve to the detriment of the industry. Of prime importance are those trends

TABLE 13

SOLUTIONS TO MAJOR OTHER FIXED ACCOMMODATION PROBLEMS RECOMMENDED BY OPERATORS AND OR REPRESENTATIVES

PROBLEM	GUEST/TOURIST HOMES	YOUTH HOSTELS	YMCA/YWCAs	VACATION FARMS/ DUDE RANCHES	HUNTING/FISHING & TRAIL RIDING OUTFITTERS
Marketing	. more promotion by Travel Alberta to create public awareness			. marketing assistance from Travel Alberta	. marketing assistance from Travel Alberta
Financing		. further financing from Province of Alberta for hostel expansion and effective administration	. further funding from government(s) and/or charitable organizations for planned expansions	. easier financing for proposed renovation/ upgrading programs	
Facility Standards				. encourage the maintenance of higher facility standards . diversification and renovation/upgrading of plant	. encourage the maintenance of higher facility standards
Association Organization				. creation of a more effective trade association with Travel Alberta's assistance (Alberta Country Vacations Association)	. creation of a more effective trade association with Travel Alberta's assistance (Alberta Outfitters Association)
Hospitality Training					. improvement in management practices/ hospitality training
Lease Permit Renewals					. longer lease permit agreements (proposed land use block system)

FIGURE 2

MAJOR TRENDS AFFECTING THE ALBERTA ACCOMMODATION INDUSTRY

EXTERNAL

General:
- Economic Climate of Alberta
- Value/Price Conscious Public
- Rising Discretionary Income
- Increased Leisure Time
- Population Mobility
- Social/Work Attitudes

Specific:
- Growth in International Tourism
- Gas Prices and Their Effects on Highway - Related Travel
- Increased Usage of Campgrounds and Recreational Vehicles
- Growth in Winter Sport Activities
- Growth in Group/Tour Business
- Social/Cultural Tourism Potentials

ALBERTA ACCOMMODATION INDUSTRY

INTERNAL

General:
- Diversification/Specialization of Accommodation Facilities (e.g. climate control, in-house recreational facilities)
- Advent of Budget-type Properties
- Expansion of Chain and Franchise Operations
- Increased Demand for Low Cost Accommodation
- Growth in Ownership of Independent Multi-Unit Operations

Specific:
- Increasing Use of Reservation/Referral and Other Electronic Processing Systems
- Development of Specialty/Theme Food & Beverage Facilities
- Rising Accommodation Prices
- Improvement/Usage of Accommodation Design Techniques
- Increasing Number of Management Contracts
- High Occupancies in Rural Areas Due to Work Crews
- Increased Awareness of Need for Marketing Plans
- Increasing Difficulties in Acquiring Trained Labour

within the industry itself (internal) which will lead to a strengthening in its structure, decreases in costs, improved efficiency with better prospects for profits and overall enhancement of customer satisfaction. These trends and their respective causes have been evaluated and their resulting impact on the Alberta accommodation industry indicated in Table 14, over page.

TABLE 14

EVALUATION OF IMPORTANT INDUSTRY TRENDS

GENERAL TREND	CAUSE	IMPACT ON ALBERTA ACCOMMODATION INDUSTRY
Diversification/Specialization of Accommodation Facilities	• public demanding more recreational /activity-oriented facilities	• less dependency on a few sources of clientele • less tendency for establishments to be dependent on seasonal business • more fully serviced properties able to cater to group/convention market requirements
Advent of Budget-Type Properties	• public becoming more value conscious and seeking cheaper prices with reasonable quality	• non-revenue space in accommodation plants being limited • various Alberta independent and chain operators have developed budget and modified budget properties, e.g. Relax Inns
Expansion of Chain and Franchise Operations	• similar standards among properties provides guests with confidence on what to be expected	• integration of geographically dispersed establishments with joint promotion/purchasing policies and referral/ reservation systems • less dependency on local markets • properties of this type in Alberta, e.g. Western International, Travelodge, Sheraton, Best Western, Sandman Inns, etc.

TABLE 14 (continued)

EVALUATION OF IMPORTANT INDUSTRY TRENDS

GENERAL TREND	CAUSE	IMPACT ON ALBERTA ACCOMMODATION INDUSTRY
Increased Demand for Low Cost Accommodation	. youth/family markets wanting to experience rural/wilderness environment	. rustic accommodation adequate . in Alberta, more need for hostels and upgrading of vacation farms/dude ranches and outfitter establishments
Growth in Ownership of Independent Multi-Unit Operations	. increased profits perceived due to standardization of properties	. similar to chain/franchise operations but not promoted as such (each individual establishment retains own identity) . very prominent phenomenon in Western Canada . lead to further integration of industry

SPECIFIC TREND	CAUSE	IMPACT ON ALBERTA ACCOMMODATION INDUSTRY
Increasing Use of Reservation/ Referral and Other Electronic Processing Systems	. increased automation leads to increased productivity	. easier and quicker handling of guest requirements . used primarily by referral, franchise and chain operations and those establishments over 50 units
Development of Specialty/Theme Food & Beverage Facilities	. public demanding new and varied dining experiences	. catering to a more selective target market . many typical accommodation dining rooms/restaurant being converted . as of yet, not prominent in Alberta but perceived need for this type of facility in province
Rising Accommodation Prices	. due to rising operator costs	. undue price escalations occurring during special events/ summer season which results in bad image and less potential for repeat patronage . operator to reduce/maintain price leads via better internal control systems and/or increase off-season business

TABLE 14 (continued)

EVALUATION OF IMPORTANT INDUSTRY TRENDS

SPECIFIC TREND	CAUSE	IMPACT ON ALBERTA ACCOMMODATION INDUSTRY
Improvement/Usage of Accommodation Design Techniques	. more efficient servicing of guests needs	. more function-oriented properties . better adoption of techniques in Alberta is required
Increasing Number of Management Contracts (large accommodation operators getting out of real estate business)	. need for faster expansion and more specialization by not tying up assets in real estate	. greater development of chain properties . opportunity for more local investment in accommodation plants
High Occupancies in Rural Areas Due to Work Crews	. rural gasification program	. could lead to over-expansion of accommodations in some rural areas
	. improvements to telephone system	. reduces supply of accommodation available to tourist sector in summer months
	. oil & gas exploration	
	. road building	
Increased Awareness of Need for Marketing Plans	. increased competition . urbanization	. properties and their services being sold to certain target markets, e.g. tourists, bus tour groups, corporate group meetings/seminars, etc. . not used extensively in Alberta, only those establishments over 75 units
Increasing Difficulties in Acquiring Trained Labour	. low wages, shift work, few career opportunities, availability of U.I.C. and welfare benefits	. shortage in quality of staff, not quantity . need for further training programs, both of the workshop/seminar and on-the-job training type . most acute problem in Alberta's accommodation industry

APPENDICES

APPENDIX I

PRIVATE/PUBLIC FINANCIAL INSTITUTIONS AND GOVERNMENT INCENTIVE PROGRAMS

The following private/public financial institutions and government departments were interviewed in this study:

Private	Number	
Chartered Banks	8	
Trust/Mortgage Companies	17	
Life Insurance Companies	12	
Credit Unions	17	(54)
Public		
Alberta Opportunity Company (AOC)		
Alberta Treasury Branch (ATB)		
Federal Business Development Bank (FBDB)	3	
Federal Department of Indian Affairs & Northern Development		
Federal Department of Regional Economic Expansion		
Federal Department of Manpower & Immigration	3	(6)
TOTAL	60	

An information summary on the private financial institutions interviewed appears over page, while separate documentation on the various public financial institutions and government incentive programs as they apply to the accommodation industry follows. In addition, a brief commentary on the Alberta Hire-A-Student Program has been provided.

Summary of Private Financial Institution Interviews Relative to the Alberta Accommodation Industry

Financial Institution	Number Interviewed	Number Providing Loans to Industry	Usual Term	Usual Interest Rate*	Debt/ Equity Ratio
Chartered Banks	8	6**	10-15 years (medium)	1.5-3%	60:40 to 70:30
Trust/Mortgage Companies	17	7	5-20 years (medium)	2-4%	50:50 to 75:25
Life Insurance Companies	12	2	10-25 years (medium/ long-term)	2%	variable
Credit Unions	17	1	10-15 years (medium)	3%	variable

* Expressed in points above prime rate.
** Remaining 2 chartered banks: one did not provide information requested due to confidentiality, while the other had been in existence for only one year.

Alberta Opportunity Company

Purpose

The Alberta Opportunity Company (AOC) is a crown corporation which provides financial and management assistance to help develop Alberta business. Responsible to the Minister of the Alberta Department of Business Development and Tourism, AOC provides capital funds where conventional financing is not readily available (i.e. it is a lender of last resort), particularly for small businesses in Alberta's rural communities.

Application to Accommodation Industry

Monies are made available for the development of Alberta's tourism services, which include commercial accommodation. Presently, AOC has 62 accommodation loans in its portfolio with a value of $15 million or approximately 17% of its total loans outstanding. It is estimated that 60% of these loans were to motels, while the remaining were given to hotel/motor hotel developments. Ninety-five percent (95%) of these properties are located in rural areas. To date, 10 accommodation loans have been repaid as granted by AOC (since 1972) or its predecessor, the Alberta Commercial Credit Corporation.

Eligibility

Any business enterprise located in Alberta which operates for profit. The enterprise may be a proprietorship, partnership, co-operative or corporation under federal or provincial companies legislation. Prospective borrowers must

have a reasonable equity investment in the business (i.e. usually a 75:25 debt/equity ratio) and the project must contribute to the economic expansion in the province. Overall, the business to be funded must fall within the terms of the Alberta Opportunity Fund Act and Regulations.

Form of Assistance

AOC financing is in the form of loans or guarantees of loans which are repayable with interest. Grants are not given. The types of loans available are for construction and development (both short-term and interim) and mortgages (medium-term, 10-15 years). Interest rates on the accommodation loans outstanding range from 7½% to 12½%, while current rates offered are at 9¼%-10¼%. AOC will not provide any further funds for new accommodation development in either Edmonton or Calgary. AOC has no project size restrictions. However, with respect to project type restrictions, AOC is willing to finance new developments/ expansions including renovations/upgrading but will provide only limited funds for those who plan to purchase existing facilities. In addition, AOC will also finance chattels.

Accommodation Loan Guidelines/Requirements

A prospective borrower must satisfy the following criteria (in addition to general eligibility clauses above) before loans are provided by AOC:

- presentation of a market study (either by borrower or an independent third party);
- preparation of a 2 to 3 year pro forma statement of income and expenses;

- preparation of a capital budget;
- preliminary architectural drawings; and
- personal statements of shareholder(s).

<u>Contact:</u>

Alberta Opportunity Company
P.O. Box 1860
Ponoka, Alberta
Telephone: (403) 783-4481

Alberta Treasury Branch

Purpose

The Alberta Treasury Branch (ATB) is the lender designated by the Federal Department of Finance for any funds made available in Alberta through the Small Businesses Loans Act. Monies are provided to assist proprietors of small enterprises to obtain term credit for a wide range of business improvement purposes.

Application to Accommodation Industry

Funds available from the Small Businesses Loans Act may be used to finance the development of tourism services, including commercial accommodation projects. Presently, various offices of the Alberta Treasury Branch have provided numerous loans to the accommodation industry.

Eligibility

Any business enterprise engaged in manufacturing, wholesale or retail trade, service, transportation, construction or communications whose annual gross revenue does not exceed $1 million. Prospective borrowers must have a reasonable equity investment in the business (i.e. usually a 70:30 debt/equity ratio).

Form of Assistance

The Small Businesses Loans Act will guarantee loans to a maximum of $50,000.00 as arranged with the Alberta Treasury Branch. Repayment periods

may be up to 10 years at an interest rate subject to revision twice per year. The Alberta Treasury Branch provides loans for construction and development (short-term), mortgages (medium-term to a maximum of 15 years) and working capital. The current interest rate is 2½% points above prime. There are presently no geographic, project size or project type restrictions.

Contact

Any Alberta Treasury Branch

Federal Business Development Bank

The Federal Business Development Bank (FBDB), which was formerly called the Industrial Development Bank (IDB) is a crown corporation which provides financial, informational management training and counselling assistance for the establishment, modernization, expansion and operation of small business enterprises.

Financial Services	Management Training	Counselling Assistance to Small Enterprises (CASE)
Purpose		
. To provide financial assistance for new establishments, expansions, renovations/upgrading, operations and changes in property ownership	. To improve and update practices and skills in small businesses	. To assist small businesses to improve their methods of doing business
Tourism Application/Eligibility		
. Any business, including accommodation properties	. Tourism/accommodation operators can avail themselves of this service	. Any operator or accommodation enterprise wishing to increase productivity or requiring assistance in considering changes or expansion; small businesses having less then 75 full time employees and had prior discussion of their problems with their appropriate business advisor
Form of Assistance		
. Loans, loan guarantees, equity investments and leasing providing	. Management seminars oriented to small businesses, usually of one day	. CASE counsellors are usually retired business people who analyse problems and provide

the applicant meets the following: i) funds must not be available elsewhere on reasonable terms and conditions ii) amount and character of investment by persons so it can be reasonably expected that such persons will have a continuing commitment to the business iii) business has a reasonable prospect for success	duration with discussions on general business topics; primarily held in rural areas under arrangement with local Chamber of Commerce; $15 a session	a confidential report to client, charge is $20 per day per counsellor

Contact

Any branch of the Federal Business Development Bank in Alberta
(Edmonton, Calgary, Lethbridge, Red Deer, and Grande Prairie)

Presently, the Alberta branch offices of FBDB have provided numerous loans to the accommodation industry. The types of loans available are for mortgages primarily (medium-term, 12 years on average) with some financing of chattels. Prospective borrowers must have an adequate equity investment in the business, usually in the 30 to 40% range when related to the total investment. The lowest interest rate available is 11%, while loans over $250,000 have a minimum rate of 12%.

Federal Department of Indian Affairs & Northern Development

The Federal Department of Indian Affairs & Northern Development (DINA) is responsible for four programs that are directly related to the native Indian population and the tourism industry. Of these four, the last two programs as listed below have direct applicability to the accommodation industry:

- Tourist Outfitting and Guiding Program (not been used extensively in Alberta);
- Parks Canada Graduate Scholarships Program;
- Indian Business Development Fund (formerly called Indian Economic Development Fund); and
- Commercial Recreation Program.

	Commercial Recreation Program	Indian Business Development Fund (IBDF)
Purpose	. To provide incentives to new or expanded business enterprises which will result in economic benefit to Indian people	. To help the Indian population establish viable enterprises through the provision of financial and business management services
Tourism Application	. Development of tourism facilities/ attractions on reserves	. Development of tourism enterprises/ services
Eligibility	. Primarily Indian entrepreneurs, however, development proposals from non-Indians will be entertained providing they have financial and social redeeming features, foster the involvement of Indian people and are in harmony with the wishes of the local Band Council	. Primarily Indian entrepreneurs, however, proposals from non-Indians will be entertained providing they foster the involvement of and benefit the Indian people

Form of Assistance

. Financial assistance in the form of grants, loans or loan guarantees for real estate development from either the IBDF and/or chartered banks, FBDB, DREE or other federal departments administering assistance programs	. Financial grants, loans and loan guarantees

Contact

Any district or regional office of the Department of Indian Affairs & Northern Development

As a lender of last resort, DINA will provide financial assistance to prospective borrowers if their projects are proven feasible. DINA's activities in Alberta have primarily been the provision of management service funding to large tourism/accommodation projects that have received their financing from other government departments.

To the end of 1977, DINA had given assistance to three Indian accommodation-related projects in Alberta:

(1) Sawridge Motor Hotel, Slave Lake

- Sawridge Indian Band;
- primarily DREE funded, but DINA provided funding for feasibility study, etc. ($22,500) through IBDF;
- some AOC assistance (roof);
- DINA presently holds real estate mortgage.

(2) Siksika Vacation Resort (located east of Calgary on the Bow River near Cluny)

- Blackfoot Indian Band;
- recreation/cottage development (golf course, tennis courts, artificial lake for boating, serviced lots to be leased to cottagers);

- DINA provided liaison/ management services and guaranteed commerical loan;
- partially under construction.

(3) Redwood Meadows (located west of Calgary near Bragg Creek)

- Stony/Sarcee Indian Bands;
- proposed recreation/accommodation development;
- no need for DINA guarantees, use of band funds only;
- if required, DINA willing to provide advice on management/ financial services;
- no monies released to date.

Federal Department of Regional Economic Expansion

The Federal Department of Regional Economic Expansion (DREE) is responsible for two programs/acts that are directly related to the tourism/accommodation industry. The Special Agricultural and Rural Development Program (available funds for the development of recreation and tourist facilities for people of native ancestry) which was established in 1972 has not been used in Alberta to date. However, the Regional Development Incentives Act (RDIA) has been utilized in past years in Alberta and has again been reactivated for business firms in northern Alberta as announced in July of 1977 by the federal government. Former DREE incentives to industry programs have placed more than $32 million into Alberta. A special area program in the Lesser Slave Lake saw $21.8 million spent on 15 projects from 1971 to 1975. One of these projects included the Sawridge Motor Hotel which received both a loan grant and guarantee as mentioned previously under programs available from DINA. Other than this accommodation development, no other incentives have been provided to prospective accommodation developers.

Regional Development Incentives Act

Purpose

. To attract investment into designated regions of relatively slow growth and create improved opportunities for productive employment

Tourism Application

. Anyone located in DREE designated regions who requires assistance in establishing manufacturing, processing or service industries; development incentives and loan guarantees are currently available to firms located or proposing to locate in northern Alberta

Form of Assistance

- Loan grants up to 25% of approved capital costs plus $5,000 for each direct new job created
- Loan guarantees provided to new commercial enterprises which may not exceed 80% of total advances by lender
- Business firms located in designated area will be eligible for a federal investment tax credit of 7.5%, versus the standard 5% rate applicable across Canada
- To acquire a loan grant and/or guarantee, a service property (i.e. accommodation) must be a new concern with a minimum capital cost of $100,000

Contact

Any provincial office of the Department of Regional Economic Expansion

Federal Department of Manpower and Immigration

The Federal Department of Manpower and Immigration is responsible for the following five programs that have some applicability to the tourism/accommodation industry:

- Local Initiative Program (LIP) which comprises Canada Works and Young Canada Works - no applicability to Alberta accommodation industry;
- Canada Industrial Training Program which comprises Canada Manpower Industrial Training and On-the-Job Training;
- Canada Manpower Mobility Program;
- Placement Services Program - currently being used by Alberta accommodation industry; and
- Canada Manpower Adjustment Program - not used by Alberta accommodation industry.

Canada Industrial Training Program	Canada Manpower Mobility Program
Purpose	
. To encourage business and industry to expand and improve their manpower training programs in order to retain their workers or upgrade their skills, bringing long range benefits to both parties	. To assist in moving of unemployed workers who are unable to obtain suitable employment locally
Application to Tourism/Accommodation Industry	
. Expansion and improvement of manpower training programs related to industry; applicable if a training program is not in force and trained persons are needed, e.g. new hotel	. Assist unemployed workers to obtain employment in tourism/accommodation facilities

Eligibility

. All employers and employee associations are eligible to apply for assistance except federal, provincial and municipal governments and those agencies financed primarily from the revenues

. All persons are eligible for training provided they are one year beyond the school leaving age of the province in which they reside

. Unemployed workers must register with Canada Manpower and must be 18 years of age or over who are Canadian citizens, resident in Canada or who have been lawfully admitted to Canada for permanent residence

Form of Assistance

. Employer pays 50% of costs, while remaining shared between federal and provincial governments; will not pay higher than $147 per week per employee for training; will pay for instructors' or training aides' fees; type of training - classroom, on-the-job or double-banking

. Provides grants to enable workers to seek employment or to relocate to the nearest area where suitable employment is available (related to worker's skills); $50 to family members for unexpected expenses, while cost of moving worker and belongings is paid

Contact

Nearest Canada Manpower Centre

Alberta Department of Advanced Education & Manpower

The Alberta Department of Advanced Education and Manpower is responsible for the Alberta Hire-a-Student program. As to mid-August 1977, approximately 20,000 students have been referred to employers from this program. There are no statistics available on the utilization of this program by accommodation establishments.

Alberta Hire-a-Student Program

Purpose . To act as a placement centre for student summer employment and to aid in the setting up of student owned businesses in major Alberta cities

Procedures . Job orders taken from employers, while students file a card with office listing preferred types of employment
. Cards are matched to job orders and referrals made

Application to Tourism/Accommodation Industry

. A number of placements have been made in the industry, however, the general student consensus is that they do not wish to work in the accommodation industry due to attitudes of parents, low pay and some operators charge students with breakage.

APPENDIX 2

ABBREVIATIONS

AAA	American Automobile Association
ACVA	Alberta Country Vacations Association
AHA	Alberta Hotel Association
AH&MA	American Hotel & Motel Association
ALCB	Alberta Liquor Control Board
AOA	Alberta Outfitters Association
AOC	Alberta Opportunity Company
ATB	Alberta Treasury Branch
CAA	Canadian Automobile Association
CASE	Counselling Assistance to Small Enterprises
CGOT	Canadian Government Office of Tourism
DINA	Federal Department of Indian Affairs and Northern Development
DREE	Federal Department of Regional Economic Expansion
FBDB	Federal Business Development Bank
IBDF	Indian Business Development Fund
LIP	Local Initiative Program
MAA	Motel Association of Alberta
PAC	Provincial Advisory Committee for the Tourism Hospitality Industry
RCMA	Resort and Campground Managers' Association
RDIA	Regional Development Incentives Act
TIAALTA	Travel Industry Association of Alberta
TIAC	Travel Industry Association of Canada
UIC	Unemployment Insurance Commission

APPENDIX 3

GLOSSARY

Accommodation Industry
- a term used loosely to cover a heterogeneous group of commercial establishments providing furnished lodging, but not necessarily food and beverage service, for reward. Utilized throughout this study to comprise only the fixed portion of the industry (excluding private and public campground facilities) which includes five main categories of accommodation (i.e. hotel, motel, motor hotel, lodge, cabin/bungalow) and five minor categories (i.e. guest/tourist home, youth hostel, YMCA/YWCA, vacation farm/dude ranch, hunting/fishing and trail riding outfitters).

Advertising
- a main vehicle of mass selling which is any paid form of non-personal presentation of ideas, goods or services by an identified sponsor.

American Plan
- an accommodation rate that includes a room and three meals.

Asset Controls
- controls within an accommodation facility that prevent the misappropriation of goods for sale, service supplies, working assets like linen and silverware and cash in the hands of cashiers and service staff.

Budget Accommodation
- a lower priced lodging facility which attracts family trade, budget-minded people and the non-prestige conscious.

Cabin/Bungalow
- commercial establishment with most lodging units arranged either singly or in pairs under one roof.

Category
- a type of fixed accommodation available in Alberta according to structure and, when indicated, by function. Categories of accommodation isolated in this study include hotels, motels, motor hotels, lodges, cabin/bungalows, guest/tourist homes, youth hostels, YMCA/YWCAs, vacation farm/dude ranches, hunting/-fishing and trail riding outfitters.

Census Division
- a geographical unit of a given portion of population of which fifteen are designated for the Province of Alberta.

Chain Accommodation
- a group of individual lodging properties owned by the same firm and promoted under one brand name.

Competitive Pricing Method
- a method where prices are set to match competitors without taking into account differences in quality or variations in financing between accommodation properties.

Consumption Controls
- controls that trace the path of supplies purchased by various departments within an accommodation facility. This involves the verification of delivery and value of goods requisitioned in sales to customers.

Cooperative Advertising
- a group, chain or association with similar objectives sharing the costs of promoting their particular local area or region. This type of advertising aids individual operators in getting more promotion for their advertising dollar.

Corporate/Government Discounting
- an accommodation rate that is reduced from the standard advertised rate for commercial-industrial and government travellers.

Cost Controls
- controls within an accommodation facility that attempt to increase efficiency of labour, reduce waste and breakage and minimize other costs involved in providing goods and services to clientele.

European Plan
- an accommodation rate that includes room only with meals being charged as extra.

Follow-the-Leader Pricing Method
- a method similar to competitive pricing in which prices follow those of the largest or most successful accommodation property which may have a lower cost base because of the economics of size.

Franchise Group

- a group of independent accommodation properties tied together under a franchise name offering reservation/referral services as well as a variety of promotional and operational benefits (i.e. national/regional advertising and publicity, brand identification/reputation, marketing guidance, sales training, etc.).

Full-time Staff Scheduling Method

- a method involving a full-time accommodation employee working a specified number of hours between certain times of the day for a specified number of days of the week.

Grading (or Rating/Standards) System

- a system that establishes minimum standards (initially physical, cleanliness and state of repair criteria) for accommodation facilities. The objectives of this system are to provide authentic and comparable information to assist individual travellers and the travel trade in their choice of accommodation, stimulating the improvement and maintenance of accommodation standards and providing the tourist/accommodation industry and government with an important marketing tool.

Group Travel Rate

- a packaged rate for certain traveller segments such as skiers, conventioneers, etc. which includes a combination of elements other than just accommodation.

Guest/Tourist Home

- Typically a converted private home operating similar to a small hotel, but without a license to sell alcoholic beverages and not to be confused with overflow accommodation sometimes available in private homes during special events.

Hotel - commercial establishment in which lodging units are accessible from the interior through a central lobby. On site parking and the sale of food and/or alcoholic beverages are not necessarily provided.

Hunting/Fishing and Trail Riding Outfitter

- commercial establishment providing lodging, usually in the form of cabins or lodges, primarily for people hunting and fishing. Usually divided into two sub-types - drive-in and fly-in/boat-in/trail ride (no road access).

Intuitive Pricing Method

- an off-the-top-of-the-head method widely practiced by small and medium size accommodation facilities in which charges are laid according to what the market will bear.

Irregular Staff Scheduling Method

- a method involving the staggering of work hours for accommodation employees with time overlaps during peak periods of business.

Job Analysis

- the task of designing job descriptions, job specifications and job evaluations for each job in an accommodation establishment.

Job Description

- clearly defines what is expected of each employee in an accommodation facility.

Job Evaluation

- rates the importance of each job in terms of the work done, responsibilities and the qualities necessary. This is not an evaluation of a person in a particular position but an evaluation of a job and its importance within an accommodation establishment.

Job Specification

- as an accommodation management tool it specifies for each job position, the range of wages, quality attributes, experience required, working hours, etc.

Labour Analysis

- a comparative weekly or monthly document that measures labour production and efficiency for all departments within an accommodation facility (i.e. hours worked, total salaries and wages, percentage of departmental revenue, etc.).

Labour Report

- a document that records the time required and cost of materials used to perform various repairs and maintenance jobs. This report enables an accommodation manager to determine whether it would be more economical to hire an outside company or do the work internally.

Lodge - commercial establishment outside large urban areas, operating primarily on the American Plan in which the facilities include foodservice and accommodation in a central building and/or other out-buildings for additional lodging and/or the provision of one or more outdoor recreational activities within the grounds.

Manager's Daily Report

- a daily reporting document that shows the latest figures on sales, cost of sales and other pertinent operating statistics for all departments within an accommodation facility.

Marketing - the management function which organizes and directs all those business activities involved in assessing and converting customer purchasing power into effective demand for a specific product or service and in moving the product or service to the final consumer so as to achieve the profit target or other objectives set by the company. Marketing in the accommodation industry is to be understood as the systematic and coordinated execution of business policy by lodging facilities to achieve the optimal satisfaction of the needs of identifiable consumer groups and, in doing so, to achieve an appropriate return.

Marketing Plan

- an annual written document detailing what marketing mix (i.e. product, place, promotion and price) is going to be offered to the market and for how long, what company resources will be required and at what rate, what sales and profit results are expected, and what control measures should be applied in order to know when things are not going according to plan.

Modified American Plan

- an accommodation rate that includes a room, breakfast and either lunch or dinner.

Motel - commercial establishment in which lodging units are normally accessible from the exterior and in which the majority of units are in groups of three or more under one roof with on-site parking provided.

Motor Hotel

- commercial establishment in which the access to lodging units is typically neither completely from the interior only nor from the exterior only and in which the units are in groups of three or more under one roof. Normally accessible through a central lobby with on-site parking and the sale of food and alcoholic beverages provided.

Organization Chart

- an overall framework for the job analysis activity in which an individual employee can view his or her position on the lodging establishment's hierarchy and respective reporting/supervisory responsibilities.

Part-time Staff Scheduling Method

- a method involving extra accommodation staff working at peak business times only.

Preventive Maintenance
- a program that provides for the periodic inspection and overhaul of machinery, furniture, fixtures and equipment, interior and exterior surface within an accommodation facility with a view to minimizing breakdowns, operating costs and major repairs.

Psychological Pricing Method
- a method used to restrict the type of clientele desired and is in direct correlation to the number and quality of amenities offered in an accommodation facility.

Referral Group
- a federation of independent accommodation properties tied together through one or more reservation systems.

Region - a geographical unit designated in this study as follows:
1 Northern Alberta = TIAALTA Zones 6, 7, 8, 13 and 14
2 City of Edmonton = TIAALTA Zone 11
3 Central Alberta = TIAALTA Zones 3, 4 and 5
4 Banff-Jasper National Parks = TIAALTA Zones 9 and 12
5 Calgary & District = TIAALTA Zone 10
6 Southern Alberta = TIAALTA Zones 1 and 2

Repairs and Maintenance
- a continuous activity that maintains the physical upkeep of accommodation establishments.

Revenue Controls
- controls within an accommodation facility that ensure that when goods and services are issued, income from the sale materializes either as a charge against a customer's account or as cash.

Rural Location
- centres under 10,000 population (1976: Alberta Treasury Bureau of Statistics).

Size Range
- an accommodation unit size grouping as follows: 0-9 rooms, 10-24, 25-49, 50-75, 76-199, 200-499, 500 + (Statistics Canada).

Special Promotions
- a type of offering that includes weekend and weekly packages for families, skiers, conference/meeting delegates, etc. or special services to businessmen during the off-season. These offerings comprise not only accommodation but at least one other element, e.g. meals, ski lift privileges, etc.

Split-shift Staff Scheduling Method

- a method involving some accommodation employees working a limited time period at two or three intervals during the day.

Standard Accounting System

- a specialized bookkeeping system that provides a standard classification and presentation of revenues, expenses, assets, liabilities and equity items. Three major systems of this type are in operation in Northern America, i.e. the Standard Accounting System for the Accommodation Industry (developed by the Canadian Government Office of Tourism), the Uniform System of Accounts for Hotels (developed by the American Hotel & Motel Association) and the Uniform System of Accounts for Motels, Motor Hotels and Small Hotels (aslo developed by AH & MA).

Target Pricing Method

- an accommodation pricing method in which income and expense projections (pro formas) are used to achieve an average room rate which will fulfill investment and profitability aims.

TIAALTA Zone

- a travel industry association zone defined for fourteen areas comprising the Province of Alberta.

Tour Operator

- a company which creates and/or markets inclusive tours and/or performs tour services and/or subcontracts their performance. A tour operator has responsibility for advertising, selling, folder distribution and reservation operations of a tour. Most tour operators sell through travel agents and directly to clients.

Trial and Error Pricing Method

- an accommodation pricing method in which prices are tested and the volume measured but excludes other factors that affect revenue, such as seasonality, growth in competition, etc.

Travel Agent

- a company or individual selling travel services and representing transportation, accommodation, and/or tour operators to the public.

Urban Location

- centres over 10,000 population (1976: Alberta Treasury Bureau of Statistics); those communities in Alberta being City of Calgary, City of Edmonton, Lethbridge, Medicine Hat, Red Deer, St. Albert, Grande Prairie, Fort McMurray and Lloydminster.

Vacation Farm/Dude Ranch

- commercial establishment providing lodging primarily in a farm house or separate bunkhouse for people engaged in a specific recreational activity, in this case, farm/ranch chores, horseback riding, etc. Usually divided into two sub-types of which vacation farms/ranches' primary occupations are farming and ranching with some catering to visitors, while dude/guest ranches' primary occupation is catering to visitors to the ranch.

Vacation Package

- loosely, it is any advertised tour. A package has a predetermined inclusive price, number of features and a time period. The package can offer option elements which permit the purchaser to extend the length of the package or purchase added features. A tour package may include any or all of the following ingredients: sightseeing, lodging, visitors to attractions, meals, entertainment, guide service, car rental and transportation.

Wholesaler - a company that usually creates and markets inclusive tours for sale through travel agents. Often used interchangeably with tour operator but several distinctions between the two can be drawn:

(1) a wholesaler presumably sells nothing at retail, while a tour operator often sells at both the wholesale and retail levels;

(2) a wholesaler does not always create his own products, while a tour operator always does; and

(3) a wholesaler is less inclined than a tour operator to perform local services.

YMCA/YWCA

- non-profit private establishment providing inexpensive accommodation for transients.

Youth Hostel

- non-profit private establishment providing a low cost and rustic type of lodging, particularly for young people.

APPENDIX 4

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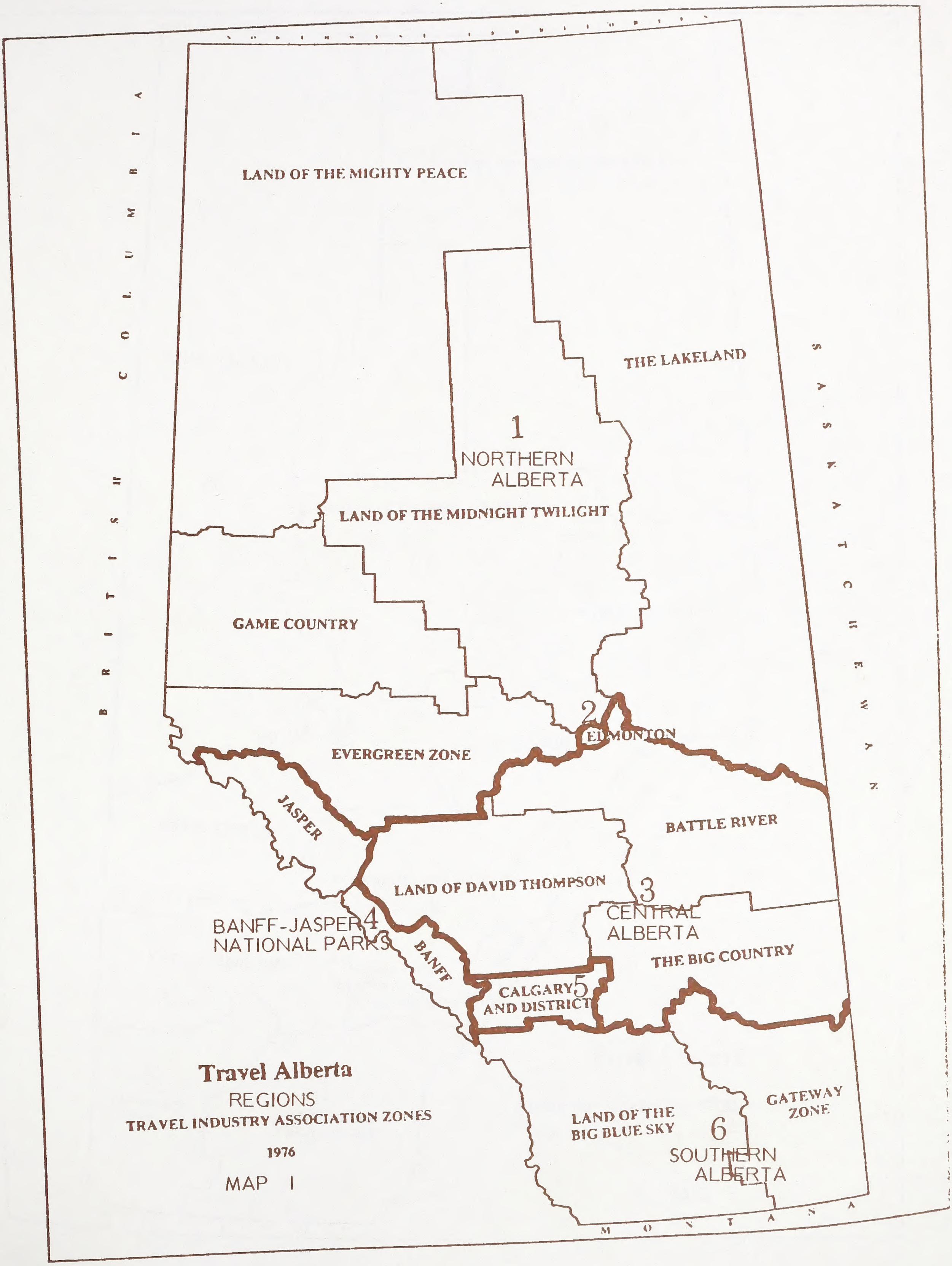
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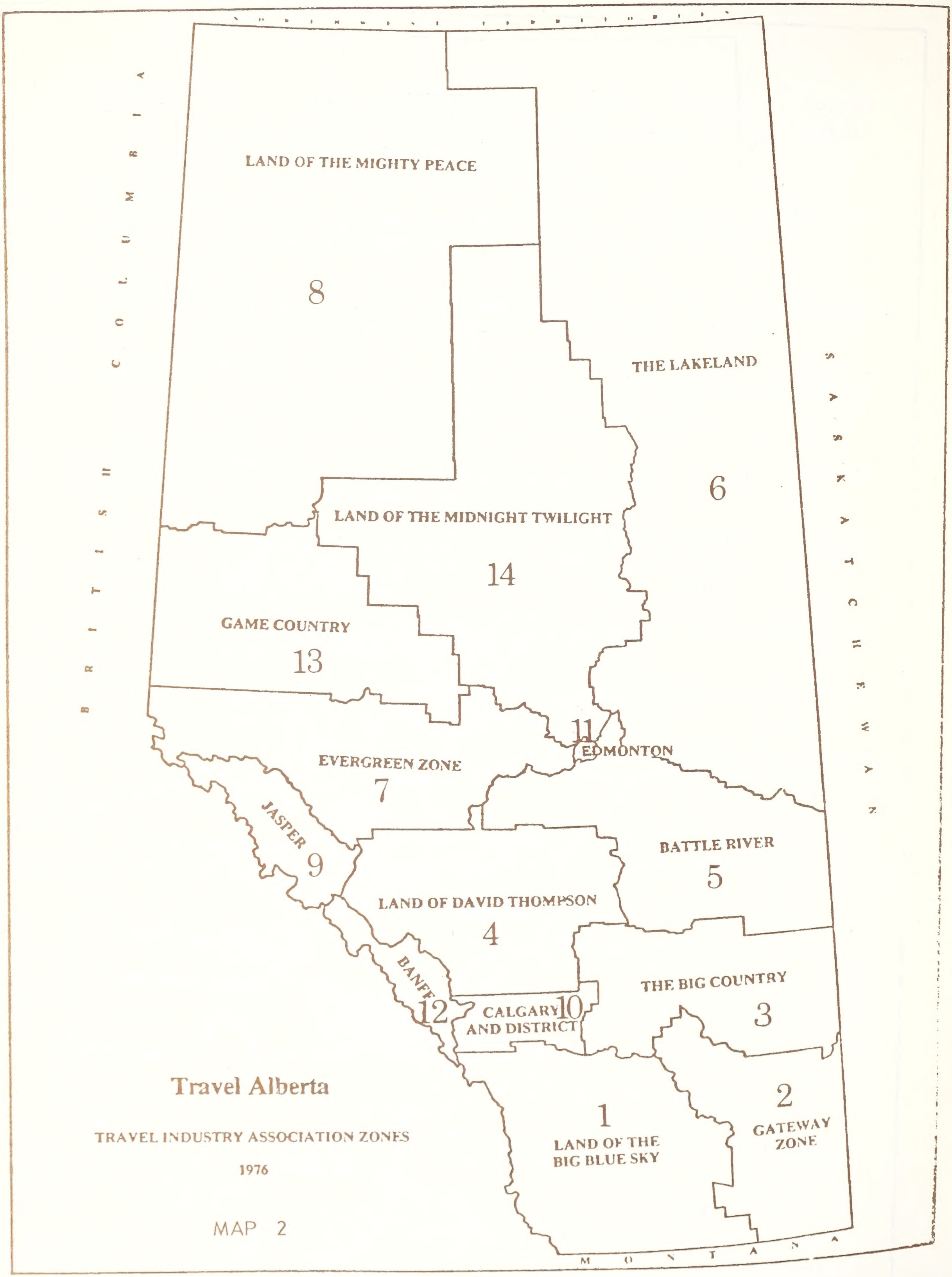
MAP I



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MAP 2

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